

1925

Certified public accountant, 1925 Vol. 5 July-December

American Society of Certified Public Accountants

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_news

Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

American Society of Certified Public Accountants, "Certified public accountant, 1925 Vol. 5 July-December" (1925). *Newsletters*. 54.
https://egrove.olemiss.edu/aicpa_news/54

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

HF
5601
.C45
v.5
(1925)

**THE
CERTIFIED PUBLIC ACCOUNTANT**

VOL. 5

**July to December
1925**

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 1

JULY, 1925

20 CENTS THE COPY
\$2.00 PER YEAR

It is always a sign of
poverty of mind where
men are ever aiming to
appear great; for they
who are really great
never seem to know it.

—Richard Cecil

DEVOTED TO THE INTERESTS OF THE C. P. A., HIS CLIENT, AND THE PUBLIC WEFARE

BOUND VOLUMES

OF

THE CERTIFIED PUBLIC ACCOUNTANT

WITH COMPLETE INDEX

No. 2—Year 1923	\$5
No. 3—Year 1924	\$5
No. 4—January to June, 1925	\$3

THE CERTIFIED PUBLIC ACCOUNTANT

736 Woodward Building - - - - - Washington, D. C.

The Certified Public Accountant

The Official Organ of the

AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Will Accept a Limited Amount of High-Grade
ADVERTISING MATTER

Statement of Circulation and Advertising
Rates will be furnished on application

THE CERTIFIED PUBLIC ACCOUNTANT

736 Woodward Building - - - - - Washington, D. C.

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 1

JULY, 1925

20 CENTS THE COPY
\$2.00 PER YEAR

THIS ISSUE marks the beginning of the fifth volume of THE CERTIFIED PUBLIC ACCOUNTANT. As time is reckoned it has been a short period since our first issue on January 1, 1922, but as progress is measured and organizations founded, this period has been of sufficient length to establish the soundness of the principles which prompted the founders in its establishment.

The promoters of The American Society at that time saw visions of a medium for disseminating information among the certified public accountants of the United States that would, in time, draw together all C. P. A.'s into one organization, as is so aptly described on our cover page "Devoted to the interests of the C. P. A., his client, and the public welfare."

From a circulation of 3,500 in January, 1922, we have forged ahead until this issue will go into the hands of nearly 10,000 accountants.

It will be noted with this issue that we have changed our form. This has been done to better facilitate the printing of the magazine, especially tables and photographs.

This magazine belongs to the C. P. A. profession. It is their medium of exchange. They are always welcome in its columns and the editors wish always to encour-

age state societies, state boards and individuals to send in all news items of happenings in the state that would be of general interest, both to the state and to the profession at large.

The editors are grateful for the interest which has been manifested in this publication during the last three and one-half years. They seek to serve the profession better with each succeeding issue.

CONTENTS

	Page.
Editorials:	
"Personality," by Frank Wilbur Main	2
"The North Carolina Decision"	2
"Aliens," by Frank Wilbur Main	3
Democratic Elections	3
In Memoriam	3
"Richmond Will Surrender"	3
The Board of Directors Meet	4
Membership Growth	4
The Michigan Law—A Provision	4
Combine Business and Pleasure	4
Board of Tax Appeals Move	4
Announcements	5
State Board News	6
Letter to Wall Street Journal	6
Visitors in Washington	6
"Chamber of Commerce of the U. S. Annual Meeting"	7
By Thomas L. Berry.	
"Advertising Agency's Accounting," by C. B. E. Rosen	9
"The Profession of An Accountant," by Albert Crew (Reprint)	10
C. P. A. Examination Questions—Michigan, 1924	18
State Society News	23
Membership in The American Society (list continued)	27
Personals	28

THE CERTIFIED PUBLIC ACCOUNTANT

The Official Organ of
The American Society of Certified Public Accountants

Published by The American Society of Certified Public Accountants, Woodward Building, Washington, D. C.

Editor: WILBUR L. HARRISON
Business Manager: F. S. CHAPPELL

Subscription price per year of twelve issues, \$2.00; twenty cents the copy.

All communications should be addressed to the Editor.

Printed by the Terminal Press, Inc., 923 Eleventh Street N. W., Washington, D. C.

PERSONALITY

NATURE gives every normal person two eyes, two ears, a nose, a throat, a stomach and a full set of all other necessary parts and organs. God also gives to each a mind and a soul. To only some, however, it seems is given the divine gift of Personality.

Personality may be found among the high and mighty, likewise among the weak and lowly.

The Immortal Gladstone was cultured, educated, and an Adonis in personal appearance.

The Immortal Lincoln was uncultured and uneducated from the usual scholastic standpoint, and perhaps the homliest man who ever lived.

Both had this divine gift of Personality in extraordinary measure.

Personality, what is it? Who knows? Certainly not our dictionary writers, who describe it in synonymic terms!

If we do not know what it is, we can at least study some of its characteristics. Our present knowledge of physics, particularly of electricity and the radio, helps us illustrate certain of its qualities. These attributes, like those of the sun, are only sidelights and not inclusive.

To have personality is to be "tuned in," in an exceptional way to the unseen, and often to the extraordinary, and usually is to be equipped with both a sending and a receiving set.

Both Gladstone and Lincoln were great orators and writers, great senders, as it were. Both even more so were tuned in to the great human heart—both carried the great burdens of their fellow human beings, Gladstone with his advocacy of "Home Rule," Lincoln with his Emancipation.

Many can send—fewer can receive in large measure. The first means honor—the latter usually burden bearing.

Can Personality be developed? Perhaps, if efforts are made in time.

Do societies and organizations have Personality? Not usually in any true sense.

Societies and organizations are usually too busy broadcasting publicity of a complimentary character to the business or profession they represent to give much thought to the "better part," viz.: The tuning in to its particular public group for the purpose of ascertaining its burdens, so as to better render disinterested service.

Will our American Society of Certified Public Accountants develop a true Personality?

Valuable as large memberships, successful efforts along legislative lines, sound financial policies and effective publicity methods are, none or all of these alone can bring more than success, and success is not Personality.

May our Society also choose the "better part!"

FRANK WILBUR MAIN.

THE NORTH CAROLINA DECISION

IT IS not often that we seek to correct false impressions that are gained from reading items that appear in "The C. P. A. Bulletin" published by the so-called "National Association of Certified Public Accountants" with headquarters here in Washington.

Their ignorance, concerning the facts relating to the profession of accountancy, is so well established as to make it rarely necessary to call attention to their sayings, however, we do wish to point to a false impression that would be gained from reading the following which appeared in the annual report of E. Long, President, 1925, June-July issue:

"THE NORTH CAROLINA LAW

"It was a sad blow to the North Carolina State Board and its associates when the National, through its influence, stopped the board from peddling C. P. A. degrees in the District of Columbia at \$25.00 a throw.

"In the North Carolina Case, Mecklenburg No. 443

"The law is unmistakably clear that the legislature has no power to enact statutes, even though in general words, that can extend in their operation and effect beyond the territory of the sovereignty from which the statute emanates. The legislative authority of every state must spend its force within the territorial limits. * * * Therefore, the Certificates issued by the State Board of North Carolina, in the name of the sovereign State of North Carolina, on its Washington Examinations were not only worthless and delusive, but absolutely invalid."

"Now that North Carolina has a new board, it is hoped that the examinations will be conducted on a standard basis and that accountancy in that state shall become a profession and that the conduct of the board shall be that of justice and equality."

While the members of the "National Association" had as much "influence" on this litigation and de-

cision in North Carolina as the inhabitants of Mars, Mr. Long's claim of credit is not material.

Our readers will recall that this was a friendly suit to determine for the North Carolina Board a vital question of jurisdiction. It is, however, necessary to remind our readers that this took place almost four years ago. To be exact, the decision was handed down December 8, 1921, and the litigation was started before the "National Association" was incorporated.

The question, as decided by the Supreme Court of North Carolina, was purely one of jurisdiction, and since that time the North Carolina Board has complied with the technicalities of the decision by obtaining jurisdiction of all C. P. A. certificate holders affected by the decision, so that to-day, we understand, that none of the certificates issued by North Carolina are under the cloud of this decision.

The trouble with the quotation from the North Carolina decision is "The Court did not say it," at least that part which we have put in italics. (See page 21-28 of THE CERTIFIED PUBLIC ACCOUNTANT, March, 1922, for a true copy of the decision.)

ALIENS

IF you have never left your native country you are apt to regard an "alien" as one of an inferior land and not wholly your equal.

Your editorial writer was himself classed as an "alien" on a trip to the British Isles and made for the first time to feel that other citizens think of us as "aliens." 'Tis good medicine.

As I admire greatly the culture, honesty and other good qualities of the English and Scotch, and at the same time see many things that I consider better in my native land, I am led to believe that even the accountants of the United Kingdom and those of the United States, do not fully appreciate all the good qualities of each other.

We owe much to the Chartered Accountant and hope through this organ to sing his praise from time to time and emulate where such action will be to our benefit.

As accountants recognized by the laws of each country, we should not be aliens, the one to the other.

FRANK WILBUR MAIN.

All C. P. A.'s who were interested in the passage of the Capper Bill in 1923 will be saddened to learn of the death of Miss Amy Piser, Clerk of the Senate District Committee, who was of such valuable assistance to the American Society of Certified Public Accountants and local certified public accountants in getting the bill before the Committee. Miss Piser was one of the veteran committee clerks of the Senate and for many years virtually conducted the affairs of the Committee.

DEMOCRATIC ELECTIONS

THE American Society is founded on the democratic principle that every member has an equal voice in the control of the organization. By providing for mail ballots in the election of representatives and directors every member is called upon to express his choice in the selection of those persons who will guide the destinies of the Society for the coming year. From the beginning, the members of the Society have participated enthusiastically in all nominations and elections. Every change in the Constitution and By-laws must be ratified by a majority of the membership of the Society before becoming effective. In every election which the American Society has held more than 75 per cent of the membership have participated.

At the present time we are in the midst of our annual nomination for state representatives. The election will take place in July. At the time of this writing, June 29th,—the interest in the nomination speaks well for the principle of democratic control upon which the American Society is founded. It demonstrates beyond doubt the soundness of the system of mail elections written into the Constitution and By-laws of The American Society.

"RICHMOND WILL SURRENDER

ON September 10 and 11, 1925, to the American Society and the C. P. A.'s of the U. S. all their well known facilities for hospitality and a splendid Convention," says Mr. A. M. Pullen, Chairman of the Convention Committee.

The Committee is composed of:

A. M. Pullen, C. P. A., Chairman, 501-7 Atlantic Life Building, Richmond, Virginia.

C. S. Goldston, C. P. A., 501-7 Atlantic Life Building, Richmond, Virginia.

T. Coleman Andrews, C. P. A., American National Bank Building, Richmond, Virginia.

Fred B. Hill, C. P. A., Law Building, Norfolk, Virginia.

A. Lee Rawlings, C. P. A., Law Building, Norfolk, Virginia.

A. T. Henderson, C. P. A., Peoples National Bank Building, Lynchburg, Virginia.

They are hard at work and will soon have details ready to mail. Indications point to the greatest gathering of C. P. A.'s ever held in the United States.

The Convention will be held at the Jefferson Hotel. For further information address

A. M. Pullen, C. P. A., Chairman, 501-7 Atlantic Life Building, Richmond, Virginia, or

T. Coleman Andrews, C. P. A., Secretary, 401 American National Bank Bldg., Richmond, Virginia.

ATTENTION, GOLFERS!

THE golf playing members of the American Society must not lose sight of the fact that A. C. Upleger, of Waco, Texas, Director of the Eighth District, is now in possession of the Springer Trophy which must be held for three years in order to become the property of the winner.

The Golf Tournament was one of the most enjoyable events of the last convention which was held in Detroit and promises to be of equal importance in Richmond.

THE BOARD OF DIRECTORS MEET

THE Board of Directors of The American Society met in Washington, June 23rd, at the Washington Hotel. A number of matters of importance were discussed, chief of which was the report of a special committee appointed to draft some necessary changes in the Constitution and By-laws.

This committee was composed of Homer A. Dunn, of New York, Chairman; D. W. Springer, of Ann Arbor, Michigan, and James A. Councilor, of Washington, D. C.

The report of the committee was approved and will soon be forwarded to the membership in a mail vote for ratification.

One of the principal changes proposed will have to do with the closer cooperation of the American Society with the State Societies of Certified Public Accountants. It has long been realized by the leaders in the American Society that the State Society, in its own sphere of activities, has as important work, if not more important, to perform as The American Society, and therefore, The American Society looks forward to a closer relationship with the State bodies.

THIS WILL PROVE

What C. P. A.'s think of The American Society of Certified Public Accountants:

	Membership.	Per Cent Increase.
August 31, 1922.....	532	*
August 31, 1923.....	749	49 $\frac{1}{4}$
August 31, 1924.....	1,107	39 $\frac{4}{10}$
June 30, 1925.....	1,960	77

*No organization on August 31, 1921.

This is a story of remarkable growth and demonstrates as nothing else could the faith the C. P. A.'s have in The American Society movement.

Today we have a larger number of C. P. A.'s in our membership than any other society, association or institute.

1925 is the Membership Campaign Year. The officers hope to have doubled the membership in the fiscal year ending August 31, 1925.

Send in your application today. All state licensed

C. P. A.'s are eligible. Membership fee, \$10.00, annual dues, \$15.00, prorated to end of fiscal year. (August 31st.) Send for a copy of the Constitution and By-Laws and latest directory of membership printed June 1, 1925.

THE MICHIGAN LAW

ONE of the most forward looking pieces of legislation that has been passed this year is that recently enacted in the State of Michigan which contains the following provision:

"Provided, That the Commissioner of the Banking Department may accept a report and audit of the affairs of any concern coming under the provisions of this act when made by a certified public accountant in lieu of the examination herein provided for."

COMBINE BUSINESS and PLEASURE

Richmond, Va., is only a three hours ride from Washington.

Arrange your conferences now with the Treasury Department so that you can attend the Annual Meeting of the American Society on September 10 and 11 and meet your appointments before or after the Convention.

BOARD OF TAX APPEALS MOVE OFFICE

Mr. Korner, Chairman of the Board of Tax Appeals, announces that the Board will vacate its present quarters in the Investment Building Fifteenth and K Streets N. W., Washington, D. C., on June 30, 1925, and that hearings commencing July 1, 1925, will be called in its new quarters in the Earle Building, Thirteenth and E Streets N. W., Washington, D. C. The Board will occupy the ninth and tenth floors of the Earle Building and part of the eighth floor.

The Board is extremely anxious that its new address be borne in mind, to the end that no undue delay may occur through misdirecting mail or telegrams, and that those having business with the Board should report at the proper place for Calendar Call.

There's a great time awaiting you in RICHMOND on September 10 and 11

"Do I bore you?" asked the mosquito politely, as he sank a deep shaft into the man's leg.

"Not at all," replied the man, smashing him with a book. "By the way, how do I strike you?—Behind the Plow.

It's Here, Says 'E

"The time will come," shouted the lecturer, "when women will get men's wages."

"Yes," yelled the little man in the back seat, "next Saturday night."—Behind the Plow.

ANNOUNCEMENTS

Irving Milchman, C. P. A., announces the removal of his offices to 1440 Broadway, New York City.

Ernest Logan, C. P. A., formerly of Seattle, Wash., is now located at 340 Call Building, San Francisco, Calif.

J. Elliot Maddox and Irvin W. Imhof, who have been associated with the late J. R. Mayes for a number of years, announce the formation of a partnership with offices at 503-504 Lincoln Bank Building, Louisville, Ky., under the firm name of Maddox & Imhof, Certified Public Accountants, successors to J. R. Mayes, C. P. A.

W. M. Madden & Company, Certified Public Accountants, Meyer Kiser Bank Building, Indianapolis, Ind., announce the opening of their Terre Haute office which will be located at 202 Opera House Block, Terre Haute, Ind.

T. L. Matlock, C. P. A., formerly of the Winston-Salem, N. C., office of Scott, Charnley & Company, is now located in the Greensboro office of that firm at 818 Jefferson Building, Greensboro, N. C.

Rainess, Fisch & Rothman announce the removal of their offices to 1431 Broadway, New York City.

Announcement is made of the dissolution, as of July 1st, 1925, of the firm of McGlasson and McMullen, Certified Public Accountants, 1404-5 Lincoln Bank Building, Louisville, Ky.

W. A. DeHority, Certified Public Accountant, has succeeded the firm of DeHority, Davis & Gilkison, Accountants, and will continue in the general practice of Accountancy at 809 J. F. Wild Building, Indianapolis, Ind.

Michael Feiring, C. P. A., announces that he is now located at 1133 Broadway, New York City.

R. S. McGlasson, C. P. A., and R. Owen Cochran, formerly associated with the late J. R. Mayes, announce the formation of a partnership under the firm name of McGlasson & Cochran, Public Accountants, at 1404-5 Lincoln Bank Building, Louisville, Ky.

T. D. Thomas announces the removal of the Chicago offices of Davenport Thomas and Company to new quarters in the Chamber of Commerce Building and the change in the firm name from Davenport Thomas and Co., to T. D. Thomas and Company, Certified Public Accountants, 508-509-510 Chamber of Commerce Building, Chicago, Ill.

George D. Bender, C. P. A., announces the opening of an office under the firm name of George D. Bender & Co., 530-531 Peoples Bank Building, Seattle, Wash., for the general practice of accountancy.

Ralph R. Richards and Harry W. Mellen, C. P. A., announce the formation of a partnership and the merging of their accounting practices under the firm name of Richards Audit Company, with the removal of their offices to 1301 Book Building, Detroit, Mich. Mr. Mellen was formerly associated with the late John G. C. Rothfus.

Announcement is made of the dissolution of the partnership of Johnson, Mahone, Aitchison & Co., 10 South La Salle Street, Chicago, Ill., effective May 31, 1925.

L. V. Colvin, C. P. A., formerly of Shreveport, La., is now located at 1240 Seventh Street, New Orleans, La.

Kell, Seeger and Rivers, of Atlanta, Ga., announce that M. F. Pixton, C. P. A., has been admitted to partnership in the firm which will hereafter be styled Seeger,

Rivers & Pixton, 504-8 Hurt Building, Atlanta, Ga. W. S. Kell, C. P. A., will continue to be associated with the firm in an advisory capacity. Other associates will be T. R. Stevens, A. F. Brisbane, J. H. Porter and W. R. Osborn.

Swan, Knowlton & Petersen, announce the formation of a partnership and the opening of offices at 369 Pine Street, San Francisco, California.

Arthur B. Sinclair & Co., Certified Public Accountants, announce the removal of their offices to 415 Lexington Avenue, Suite 504, New York City.

Albert W. Mahone, C. P. A., announces the opening of offices under the firm name of Albert W. Mahone & Co., 10 South La Salle Street, Chicago, Ill.

A. H. Kalbfleish, C. P. A., formerly of Detroit, Michigan, is now located at 215 West 23rd Street, New York City.

Leon Kipnis, C. P. A., announces the removal of his office to 1440 Broadway, New York City.

Manahem Stim, C. P. A., and Abram Z. Bernstein, C. P. A., announce the formation of a partnership under the firm name of Stim & Bernstein, Certified Public Accountants, One Madison Avenue, New York City.

YOU
are
DUE

in Richmond
September 10 and 11

PRACTICE FOR SALE OR EXCHANGE—C. P. A. wishes to exchange interest in partnership in large Middle West city for practice in town or small city in N. Y. or other Eastern State. Apply Box 115, The Certified Public Accountant, Woodward Building, Washington, D. C.

STATE BOARD NEWS

Kentucky

C. P. A. Certificates granted as result of May examination:

Horace A. Ackerman, 3407 Garland Ave., Louisville, Ky.

Charles R. Bradford, Florence, Ky.

Glenn Foster, 3334 Prospect Place, Cleveland, Ohio.

Louis Handel Huffman, 1310 Webb Road, Lakewood, Ohio.

Andrew Whitman Hendry, 1978 E. 70th St., Cleveland, Ohio.

Charles H. Knapp, 426 Masonic Temple, Portsmouth, Ohio.

Frederick James Murphy, 204 City Bank Building, Louisville, Ky.

John L. Marberry, 1637 Jones St., Paducah, Ky.

Joseph S. Maddox, 2-1754 Wyomere, E. Cleveland, Ohio.

Herman Nichols, 507 - 110 W. 40th St., New York City.

John Searcy Petot, Sr., Pyramid Oil Co., Winchester, Ky.

Albert C. Thompson, 912 Inter-Southern Building, Louisville, Ky.

Max Waldman, 825 Inter-Southern Building, Louisville, Ky.

Michigan

An examination for the C. P. A. certificate was held by the Michigan State Board of Accountancy on June 25, 26 and 27, 1925.

North Carolina

The new Board of North Carolina has organized as follows: Chairman, John E. Wilson; Vice President, Geo. H. Adams; Secretary, Wright T. Dixon; Member, J. B. McCabe.

Washington

The newly appointed Washington State Examining Board met at Olympia on May 14, and organized as follows: Chairman, Geo. V. Whittle; Secretary, Jas. M. McConahey; Member, E. C. Daniels.

At the examination held at Olympia and Spokane on May 14 and 15, the two successful candi-

dates were C. E. Alexander of Seattle, and J. L. Daniel, of Spokane.

West Virginia

C. P. A. Certificates granted as result of May examination:

J. E. Beatty, Union Bank & Trust Company Building, Huntington, W. Va.

N. G. Somerville, care of Federal Audit Co., Huntington, W. Va.

May 11, 1925.

Wall Street Journal,

44 Broad Street, New York, N. Y.
Attention Mr. Mayer.

Dear Sirs: I have your circular letter of the 9th inst. relative to announcements in the Wall Street Journal. The statement at the head of your column reads as follows:

"Announcement that the corporation's accounts have been audited by a known and reputable Chartered Accountant does much to inspire essential confidence."

May I be permitted to direct your attention to the fact that the title of

"Certified Public Accountant" is the one invariably used in the United States to designate those public accountants who have met the requirements of the state in respect to professional experience, attainment, and standing; and that the use of this term is limited by statute to those persons who have been certified by the state. The term "Chartered Accountant" is used in Great Britain, but has never been recognized or adopted in the United States.

The use of this term in such a statement as that contained in your publication indicates a lack of knowledge on the part of the writer of necessary qualifications of an accountant, and I believe is offensive to certified public accountants, not only of New York but all of the other states of the Union.

May I suggest that the leading financial paper of New York might reasonably be expected to have such knowledge of the requirements of the practice of accounting as to avoid reference in its columns to a foreign title in preference to that designation of our own country which was first adopted in our own state nearly thirty years ago.

Very truly yours,

(Signed) J. S. M. GOODLOE.

VISITORS IN WASHINGTON

May 28 to June 29, 1925

A. R. Brown, Philadelphia, Pa.

A. F. Lafrentz, New York City.

J. B. Tanner, Chicago, Ill.

James H. Packard, New York City.

John W. Alexander, Cleveland, Ohio.

H. D. Greeley, New York City.

Chas. E. W. Hellerson, New York City.

Edwin L. Pride, Boston, Mass.

Harold B. Barnett, New York City.

Frank E. Webner, Detroit, Mich.

Ben Robin, Chicago, Ill.

Jos. Cushing, Springfield, Mass.

T. Coleman Andrews, Richmond, Va.

Charles F. Coats, Hartford, Conn.

Adolphe Rafter, New York City.

Max Rudo, Baltimore, Md.

H. E. Ludewig, New York City.

Robert Caruba, Newark, N. J.

Lewi Gluick, New York City.

Wm. A. Gillespie, Baltimore, Md.

E. F. Huff, Atlanta, Ga.

Guy Scott Alexander, Augusta, Ga.

J. M. Jordan, Jacksonville, Fla.

Chas. F. Seeger, Atlanta, Ga.

J. B. McCabe, Wilmington, N. C.

D. W. Springer, Detroit, Mich.

Ira W. Rubel, Chicago, Ill.

H. M. Snider, Shreveport, La.

Homer A. Dunn, New York City.

C. E. Packman, Chicago, Ill.

David A. Jayne, Charleston, W. Va.

Chester M. Foss, Portland, Me.

Harry B. Scott, Pittsburgh, Pa.

Kemp Slaughter, Baltimore, Md.

T. F. Campbell, St. Louis, Mo.

W. T. McConnell, Detroit, Mich.

L. H. Nash, Detroit, Mich.

E. C. Conley, Huntington, W. Va.

Parry J. Barnes, Kansas City, Mo.

A. W. Mahone, Chicago, Ill.

Wm. H. James, Atlanta, Ga.

U. S. Green, Binghamton, N. Y.

Remember the Date,
September 10 and 11

Chamber of Commerce of the United States

IT IS impossible to cover all the details of the recent Convention for the reason that so many meetings were carried on at the same time in different places. This was particularly true of the "Group Meetings."

These meetings were held simultaneously each day, preceded by a luncheon at 1 o'clock p. m. The subjects discussed and places of meeting were: Wednesday, "Civic Development," in the Small Ballroom, New Willard Hotel; "Finance," in Room N, Chamber of Commerce of the U. S.; "Manufacture," Large Ballroom, New Willard Hotel; "National Resources," Room I, Chamber of Commerce of the U. S.; Thursday, "Domestic Distribution," Room N, Chamber of Commerce of the U. S.; "Foreign Commerce," Room I, Chamber of Commerce of the U. S.; "Insurance," Small Ballroom, New Willard Hotel; and "Transportation and Communication," Large Ballroom, New Willard Hotel.

All of these subjects are of particular interest to all Accountants and it was very unfortunate that the several meetings could not have been held at such hours as would have enable attendance at each.

The facilities for handling the registration and housing of delegates and their guests were excellent, and so far as known little difficulty was experienced in satisfying all of the large number of persons in attendance. Registration clerks were located at the Chamber Building, Seventeenth and H Streets N. W.; The New Willard Hotel, Fourteenth Street and Pennsylvania Avenue N. W.; and the Washington Auditorium, Nineteenth and E Streets. Information Bureaus were also located at the places of registration and every provision made for the comfort of each one.

The new building is wonderfully adapted for the business of the

Some Impressions of the Annual Meeting in Washington, D. C., May 21st to 24th, 1925

Chamber. It is commodious and is of imposing architecture and being placed opposite the famous Lafayette Square it is shown to full advantage. Its proximity to the Administrative Buildings of the Government makes for its use by bodies of business men holding conventions in Washington.

At the opening public session on Wednesday morning, President Richard F. Grant read his Annual Address. Among other things, he said:

"It is an old axiom in politics that a whispering campaign—the confidential passing on of rumors—is one of the most effective methods of swaying public opinion. The radicals of Russia have followed this system in their campaigns throughout the world. Their operations and propaganda are seldom conducted in the open where they can be subjected to the public test of common sense and sound economics. Even in this country where public education has progressed farther than anywhere else in the world and where the American citizen has every opportunity for individual thinking, rumor and the unsound economic panaceas of opportunists receive a credence that is beyond the comprehension of thoughtful men.

"The press, the telegraph, the telephone, the radio and other forms of communication have made great strides in the promotion of clear thinking on the part of our public. But the increasing complexity of our present civilization has brought so many ramifications to the problems of government and business that public understanding has sometimes failed to keep pace. The light of publicity and the frank facing of our problems, their discussion in a form such as all of us can understand, is, to my mind, the greatest need which we have to-day. Then the rumors and half facts of those who, either through ignorance or malice, would upset our present civilization, will completely fail. For these whispering campaigns always fail except among the ignorant and the cowardly. The solution is in continuing and widening the education

of the public as to facts, as to problems and as to dangers.

"This is basically the job of the Chamber of Commerce of the United States in regard to the problems of American business. It is a job which it has carried on with increasing ability and increasing effect during the past thirteen years. The Chamber is a clearing house of information for American business. It takes the facts, the information, and the deductions, therefrom, and presents them to our members, to the public and to our Government for acceptance or rejection."

"It is essential that not only our Government, but European governments as well, should have the benefit of clear, thought-out advice and counsel of American business in their problems. And it is as important that the public generally should have a clear understanding of its interests and the facts involved as every step is taken. This is one of the jobs of the Chamber of Commerce of the United States and for every member of every chamber of commerce and trade association—for these are directly affected by our European trade policies. It is a job which our Government can not properly handle without your aid and interest.

"Here at home public finance and how it affects your business and your pocket-book is perhaps the national problem which can be most easily visualized to the individual. All of you have compared your income tax for 1923 against the income tax which you are paying this year. The fact that the Government is being run for less money in direct taxation from you is undoubtedly appreciated.

"Both the Treasury and Congress are planning another tax reduction. The country is certainly entitled to it. The surplus this year will exceed \$300,000,000.

"The National Chamber is studying this problem. It needs the thought and study of every one of you and a full understanding on the part of the public so that it will not be possible for those who would cater to public ignorance to put through unsound taxation legislation."

"What I should like to point out to the trade associations, and to the civic bodies, is that the medium and small manufacturers feel the stress. Small manufacturing plants make up 90 per cent of the total in this country and these plants employ on an average less than fifty men. There is no danger of the quick passage of these from the

commercial fabric of the country for they are the commercial fabric of the country throughout the length and breadth of the land.

"However, without doubt, they are facing a difficult economic situation. This situation reaches into the very heart of the commercial and trade association activities. For the prosperity of a community depends so largely upon the welfare of the manufacturer. The loss of a factory employing one hundred men is a real calamity to any community.

"Closely allied with it is the problem of distribution. Through studies conducted during the past few years evidence has been accumulating that the distribution of merchandise is in a state of confusion and that even distributors themselves are unable to judge the relative importance or significance of certain tendencies and factors. Ignorance of the elements of distribution is so widespread that the reasons for it amount almost to a mystery. Dealers in men's clothing are, I imagine, fairly familiar with the cost attaching to their business, and grocers also know why it is necessary to add a material percentage to the cost of merchandise in order that they may escape the sheriff, but each of them is a consumer of the other man's goods and almost as ignorant of the other man's costs as if they were not engaged in business at all."

"Although I can not bring quite as close to home to each of you the question of centralization of government as I can taxation, traffic safety, distribution, manufacture and transportation, I would like to point out to you certain dangers and problems we are facing to-day. Various phases of the centralization of governmental functions in the hands of both the legislative and executive branches in Washington have stirred up many cross currents both politically and economically."

"The Chamber has as its policy its often reiterated resolution that it is essential that our Government should scrupulously refrain from entering any of the fields of transportation, communication, industry and commerce, or any phase of business when it can be successfully undertaken and conducted by private enterprise. It carefully scrutinizes each one of these proposals and has taken its action under this authority."

"I have the hope that the Chamber of Commerce, with your aid and cooperation, will continue its process of education, first of American business to govern itself, second of the American public to understand the complexity of the problems surrounding American business and to make clear to that public the underlying economic facts which

govern all eras of civilization. Then that it will continue to assemble from every section of the country and from every industry the facts, the opinions and the suggestions which it can present to the administration and the legislatures of this country for the betterment not only of business itself, but of the whole American people."

Secretary of Commerce Hoover surprised every one in the plain language he used in speaking of the administrative machinery of the Government when he said, "An even larger waste and larger drain on the taxpayer than extravagance and inflation of the pay rolls—the waste which arises from the swamp of bad organization." Most of us have at times criticized the various bureaus of the Government in no uncertain way but coming from an official as high in rank as Secretary Hoover this statement was certainly remarkable. He traced several primary streams of confusion and waste, overlappings and division of responsibility. Speaking of the tendency to governmental regulation and control, he said, "Every Government agency is under constant pressure, or sometimes is anxious, to expand its powers further than was originally contemplated, and instanced the recent sending out of a questionnaire which carried every ear mark of peremptory demand, yet as a matter of fact no citizen was required by law to furnish the information called for. Frequently the same individual is legislator, policeman, prosecutor, Judge and jury. Mr Hoover then went on to suggest the remedy and in doing so said that "every President from Roosevelt to Coolidge has urged upon Congress a reorganization of the Executive arm of the Government, but nearly every suggested item has incurred the opposition of some "vested" official, or it has disturbed some "vested" habit. No proposed change is so unimportant as not to be bitterly opposed by someone. In the aggregate these directors of "vested" habits surround Congress with a confusing fog of opposition and in the mean-

while the inchoate voice of the public gets nowhere but to swear at bureaucracy."

The address of the Chairman of the Federal Trade Commission was frequently interrupted by hearty applause. He fully explained the duties and aims of the Commission, stating that the Commission was not afraid of "Big Business," that "Big Business" was necessary in many cases for efficiency and economy.

The following illustration by Mr. Humphrey indicated the necessity of the careful handling of complaints which come up before the Commission:

"The Commission issued a complaint against a company, charged with having illegally acquired the stock and assets of several competitors. That respondent has arranged to borrow some \$40,000,000 to finance this transaction. When the case came to trial it was found that the transaction was perfectly legitimate and would have been to the public interest. But what a travesty on justice! The publicity given out when the complaint was issued caused the banks to withdraw the loan, the credit of the respondent was destroyed, but the other companies that were to be consolidated with it were ruined and a great, legitimate industry destroyed. Both the public and the respondent were entirely without redress."

That very case caused the Commission to adopt the policy of settling complaints by stipulation rather than by litigation except where the business is inherently fraudulent or conducted dishonestly, and in defense of that policy, he said:

"I know the opponents to such procedure say that they want to terrorize dishonest business. But while we are terrorizing the ten men in business that are dishonest are we not at the same time terrorizing the ninety men who are honestly trying to obey the law? It is absolutely dishonest to claim that there is a clear and distinct line between what is and what is not unlawful under the anti-trust acts. The Supreme Court of the United States has many times divided upon what action constituted an unfair method of competition. How can it honestly be contended then that business men know with certainty?"

All of the sessions of the Cham-

ber and the Group Meetings were characterized by important and interesting addresses and discussions, but the foregoing seemed to be the outstanding features.

The Chamber is intended to be a

sort of Clearing House on matters of business, and necessarily will be a factor in mediation between "Business and Government."

THOMAS L. BERRY, C. P. A.,
Baltimore, Md.

ADVERTISING AGENCY'S ACCOUNTING

By C. B. E. ROSEN, C. P. A. (Massachusetts), of Charles F. Rittenhouse and Company, Certified Public Accountants, Boston

IN THE March issue of the "Certified Public Accountant" there appears an interesting article by L. Gluck, C. P. A., on "The Audit of An Advertising Agency," which interested the writer very much and which has prompted him to carry the discussion a little farther.

While this is neither an attempt to give a complete outline of an accounting system nor of an auditing procedure for an advertising agency, it is intended to be an expression of certain opinions arrived at from actual experience, since it is believed that an inter-change of such opinions, especially in the case of specialized types of business, will be of value to the profession, as well as to the student.

The professional accountant, in most auditing and accounting service, must adapt an accounting system to the particular client and his business, based, of course, on sound accounting principles, rather than provide a made-to-order system, yet it is quite necessary that he should have some prior knowledge of the particular business. Therefore an attempt is made in this article to discuss briefly the nature of the business conducted by an advertising agency.

An advertising agency renders a personal service to the advertiser, in planning and inserting in publications, descriptive advertising matter.

Such accounts as Cash, Fixed Assets, Pay Roll and Operating Expenses are handled much the same in an advertising agency as in any other business, and therefore these items are excluded from this discussion,

The main problem arises in connection with the accounts for advertising placed and art work, and this varies somewhat, according to the type of business rendered by the particular advertising agency. Some agencies specialize in newspaper work, some in magazine work, some in poster display, and some in a combination of all or any two of these.

Generally speaking, the income of an advertising agency consists of (1) a commission on advertising placed, and (2) a profit from a service charge or a commission for art work.

From experience, it has been found that an advertising agent is interested in the volume of advertising which is placed during a certain period, as well as the commission earnings, and likewise, the volume of art work performed and its resultant profit. Therefore, the accounts should reflect these factors, rather than only the income from commissions.

A brief resume of the steps precedent to the receipt and submission of invoices may be of interest at this point.

Let us assume that a business has appropriated a certain amount for advertising during a given period in the future and that the services of specialists, such as provided by the advertising agency, are solicited. The agency may then independently or in cooperation with the client, plan and submit a complete or partial campaign, for which, if accepted, a contract is entered into. This contract

should be recorded in a Record of Contracts which would include name and address of publications, space, rates and insertions, as well as any other pertinent data.

Through the channels of the agency's office routine, the rates are determined and the cuts, etc., are mailed to the publication and in due course the advertisement appears, after which the following accounting procedure takes place.

The agency receives a copy of the publication and proceeds to verify the insertion, i. e., to see if the position, space and general set-up is as ordered. This verification is noted on a checking record which serves as a basis for charging the clients. The outline of this record, which should preferably be loose-leaf, is made out when the order is sent to the publication, and provides for the salient features of the order with monthly columns, lines for each day, and spaces for actual space inserted.

Monthly, or as desired, this record is referred to in conjunction with the contract record (since the latter includes all publications and the former has only one publication on a sheet), and the clients' bills are prepared and rendered, based upon that which should and has appeared during a given period.

The amounts of the bills to clients for advertisements are generally from 10 per cent to 15 per cent greater than the publications invoice, the margin representing the agents commission. The cash discounts received or allowed are taken up in the accounts through the cash book when payments are made.

It is generally found that the best procedure is to record the charge to the client and the liability to the publication at the same time in order to assure the inclusion of the asset as well as the corresponding liability and the following arrangement of a journal for

(Continued on page 22)

The Profession of An Accountant

What is a Profession?

THE word "profession" in its origin had a purely religious significance and was a declaration, promise or vow made by one entering a religious order, hence the action of entering such an order, or the fact of being professed in a religious order. The word in its modern meaning is applied to an occupation one professes to be skilled or learned in, or a vocation in which a professed knowledge of some department of learning or science is used in its application to the affairs or business of others as distinct from the purely mechanical work connected therewith. Up to nearly the end of the nineteenth century the word "profession" was confined chiefly to the professions of divinity, law, medicine and arms.

A profession has been defined as a trade which is organized for the performance of functions. It is not simply a collection of individuals who get a living for themselves by the same kind of work. Nor is it merely a group which is organized exclusively for the economic protection of its members, though that is nominally amongst its purposes. It is a body of men who carry on their work in accordance with the rules designed to enforce certain standards both for the better production of its members and for the better service of the public. Its essence is that it assumes certain responsibilities for the competence of its members, or the quality of its wares, and that it deliberately prohibits certain kinds of conduct on the ground that, though they may be profitable to the individual, they are calculated to bring into disrepute the organization to which he belongs (Tawney).

Professions have been divided into five classes, each class possessing certain features in common:

1. Learned professions, e. g., law, medicine, teaching; formerly connected with ecclesiastical author-

By ALBERT CREW

(Republished by the Canadian Chartered Accountant, May, 1925, from the Accountant, London, England)

ity, the practitioners of which render personal service only.

2. Technicians of industry, e. g., engineers, architects, surveyors, chemists; all of which started as scientific societies for the purpose of improving technical processes.

3. Technicians of the office, e. g., accountants, secretaries, actuaries; each with its own professional association.

4. Manipulators of men, e. g., managers, superintendents, foremen.

5. Professional artists, e. g., painters, actors, authors, sculptors (Webb).

The object of professional rules is to impose on the profession itself the obligation of maintaining the quality of the service, and to prevent its common purpose being frustrated through the undue influence of the motive of pecuniary gain upon the necessities or cupidity of the individual.

Competence in a profession is secured partly by pecuniary incentives; partly by training and education; and partly by the acceptance on the part of those entering the professions of the traditional obligations of their profession as part of the normal framework of their working lives.

Motives for and Results of Professional Organization

Three motives or impulses probably account for the growth in membership and the spread of professional organizations:

1. The creative impulse, i. e., the intention and the wish to advance knowledge and perfect the art of the vocation.

2. Fellowship, whether merely comradeship and social intercourse, or a willingness to assist one's friends in professional work with a view to improving the standard of the profession,

3. The possessive impulse, the desire to secure for the members of the association the remuneration and status which the community can be induced to accord for the performance of a particular service.

No one can fail to be impressed with the beneficial effect on a brain-working profession of its effective organization, in the way of raising the standard of professional honor, improving the education of its members, increasing the opportunities for their professional training, disseminating improvements in professional technique, and even in promoting the scientific study of its subject-matter. In all these ways professional organization has for its result an improvement of the service which the profession has to render to the community; and it is not a matter of complaint if, coincidentally, there is also a raising of the status of the profession in public consideration, and even an increase in its aggregate emoluments and privileges (Webb).

The Profession of Accountant

We have to consider now more particularly the profession of an Accountant. Formerly an Accountant was regarded as a mere clerk who kept accounts, and when during the last century the then Local Government Board wanted an auditor it usually did not seek him from among the ranks of Accountants, but often selected a member of the Bar; possibly because of his professional qualification and status, but more probably because accountancy at that time was neither so well organized nor recognized as it is today.

The professional Accountant has been described as an independent expert, undertaking, in return for a professional fee, to execute work for, or to give advice to, a succession of clients, subject to a duty to the public which makes him morally, and in some cases legally,

responsible for the accuracy of anything to which he puts his name; and for the impartial exercise of any office of trust. The profession may be said to have come into existence as a sequel to the great outburst of joint-stock enterprise of the middle of the nineteenth century, and the growing intricacy of accounts in large enterprises, partnerships and trusts.

The Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors have not only made accountancy a profession, but have given it dignity and status, and compelled the world of commerce and industry to recognize its worth and value, so that the terms "Chartered Accountant," and "Incorporated Accountant" are to-day almost as commonly understood and appreciated as those of "Barrister" and "Solicitor."

Some Qualifications of a Professional Accountant

What are the qualifications of the professional accountant, which he has somewhat in common with other professions, and by which he has raised his calling to the dignity of a profession? He has a passion for exactitude and accuracy, and marshals figures into their proper places so that they speak the truth; he has a wide outlook, a clear imagination, a keen vision and an intelligent understanding of men and affairs, all of which differentiate the man of ability from the mere man of figures—qualities and gifts which help men to take initiative and to shoulder responsibility with intelligence and discretion.

The professional Accountant, like a lawyer, who really understands and appreciates his client's difficulties, and who can unravel and straighten them out is of real service to his client, and if he can also minimize or relieve him of those difficulties he becomes a veritable friend in time of need. This service comes not merely of knowledge, but of ability, judg-

ment, experience, and training, together with an intimate understanding of the larger affairs of the world, the smaller affairs of the world of business and industry, together with a sympathetic appreciation of human nature—all of which should be characterized by vision and imagination.

A Profession Must Be Independent

Accountancy is therefore a profession, not only because it is properly organized by the Institute and Society, but because it has the same characteristics of other professions. What then are the essential characteristics of a profession? A profession must be independent, controlled and governed alone by its own members, and relying entirely upon itself. It must not be bolstered up by mere window dressing like a limited company with its guinea-pig directors, or a mere society which requires for its support presidents, vice presidents and other ornamental persons who are distinguished in every way except in those things which the profession aims to be or to do. A profession is not a mere society of men and women, but an independent body of persons, skilled and learned in some calling or avocation, which skill and learning are recognized at large. A good test of a profession is to take its year book and to look at the names of its honorary officers and members. The year books of the Institute and the Society fulfill in every way the tests of independence and self-reliance. All present and past honorary officers are or were professional Accountants, and no one appears to have any connection with the direction of the Institute or Society who is or was not a professional and practicing Accountant. There are, however, two—and two only—honorary members of the Society not actually in the ranks of practicing Accountants, viz, Sir Malcolm Ramsay, K. C. B., Auditor-General, and Sir Josiah Stamp, G. B. E., D. Sc., and it may well be said, having regard to the great services to accountancy of

these distinguished men, that the exceptions prove the rule. Thus, Chartered and Incorporated Accountants practically follow the strict rule of the legal, medical and other professions, and allow none in their ranks, even in an honorary or ornamental capacity, unless they are members of their profession.

Entrance to Profession Must Be By Examination

Then, again there is practically only one means of entrance to the Institute and Society, which is that every member must have qualified not only by passing professional examinations, but by obtaining and acquiring professional training and experience.

Some institutes and societies make exceptions to this necessary and salutary rule and admit so-called eminent persons to their ranks by virtue of the position which such persons hold. There may be hard cases, but hard cases not only make bad law but, if considered in a profession, tend to weaken its very foundations, viz, its professional status and its public recognition.

No one, however eminent, can become a lawyer, a medical man, or a Chartered or Incorporated Accountant unless he enters such profession by the straight and narrow paths of examination and professional training and experience to which there are no by-paths or short cuts. Nothing adds so much to the strength, dignity, and status of a profession as the strict adoption of this rule of admission. It is true that new professions in their infancy do admit persons without the test of examinations, but when they have reached their majority there is no salvation or health in a profession either for status or recognition, unless the fundamental and primary rule of entrance by examination is rigidly adhered to. And one great source of strength to the Institute and the Society is the fact that they did not wait until they had reached their majority, but almost as soon as the

one received its charter and the other was incorporated, both followed the universal rule of testing its potential members by examination.

Objections may easily be made as to the unreliability and imperfections of the examination test, but all professions without exception require entrance by examination, not because it is the best test, but because it is the only fair and practical test. Societies are often recruited by dubious methods; log rolling and surreptitious payments are crooked ways by which admission to their membership is not uncommonly achieved. And, consequently, not only do other professions, but the public at large rightly regard with suspicion any institute or society, membership of which can be obtained without an adequate test by examination, particularly in the case of those persons who profess to have special knowledge or skill in a calling by which they earn their daily bread.

The Further Education of an Accountant

The professional preparation of an accountant by examination and practical work ensures that his training and experience shall be wider than that of a mere checker of figures, and includes methods of organization, business finance, and a general knowledge of the ever-changing aspects of industry and commerce. His education must depend largely on the syllabuses of examinations—not so much from the point of view that a mere knowledge of certain subjects enables an articled clerk to pass examinations to qualify him for membership of the Institute or Society, but because it introduces him to fields of knowledge which he should thoroughly explore after he has become a professional Accountant. In fact, by resting on the laurels, if they can be called laurels, of the examination, and becoming a reliable marshaller and arranger of figures, the Accountant will become a mere Accountant, and not a professional Ac-

countant. In short, the education and training of an Accountant really begin when he has completed his examinations. Mere knowledge, and sometimes a good memory, often enables an articled clerk to pass his examinations, but ability born of experience, judgment, a keen insight, and a right understanding of the affairs of commerce and industry, accompanied by some imagination and vision, are needed to make the professional accountant.

Professions and the Public

The difference between trade and a profession is clear. The essence of the former is that its only criterion is the financial return which it offers to the individuals concerned. The essence of the latter is that though men enter it for the sake of a livelihood, the measure of their success is the service which they perform, not the gains which they amass. They may, as in the case of the successful doctor, grow rich, but the meaning of their profession both for themselves and for the public is not that they make money, but that they make health, or safety, or knowledge, or good government, or good law. They depend on it for their income, but they do not consider that any conduct which increases their income is on that account good.

The chief feature of a profession which distinguishes it peculiarly from trade is its public usefulness and public worth. A doctor is concerned with the health of the public physically and mentally, the lawyer with promotion of law and order and the rights of individuals, and the professional Accountant with accuracy and integrity in finance and commerce. A professional certificate given by a doctor, a lawyer, or a Chartered or Incorporated Accountant is prima facie evidence of truth and reliability, and is recognized as such in a Court of Law. And so long as a profession keeps in the forefront

the obligations it owes to society and enforces those obligations on its members by precept, example, and discipline, so long will it remain a profession.

Why a Profession is Not a Trade Union

It is often said that the legal profession and the medical profession are practically trade unions, and if this be true so are the Institute and the Society. True, each has some things in common with a trade union, e. g., each is an organized body, but there are so many points of difference that it is untrue to say that a profession is a sort of trade union. It will be sufficient to say that in a profession its governing body not only considers the rights of members but exercises discipline and control not only as between individual members of the profession, but also between members and the public who employ them; that there are no restrictions as to the number of members who may enter the profession; and that there is always the highest endeavor to increase the standard of knowledge, experience and ability. A profession does not seek mere equality amongst its members, which often thwarts natural ability and discourages efficiency. Competition between members of the same profession is intense and, as a rule, competition gives the ablest and best men their proper chance and reward. A profession is more democratic than a trade union; it has aspirations apart from the immediate needs of its members and makes it unpleasant and unprofitable for a member to deviate from the high standard of rectitude and professional etiquette which it lays down. A profession realizes not only its duty to its members, but its obligations to society, and, therefore, there are no lock-outs or strikes in a profession.

There are two other characteristics which will form further topics for consideration, viz., professional etiquette and profession recognition.

Etiquette

The word "etiquette" is French in its origin, and its primary sense is represented by the English word "ticket." The modern meaning of the word shows a transition from the sense of "ticket" or "label" to that of a "prescribed routine." Professional etiquette may be described as the unwritten code of honor by which members of a profession are prohibited from doing certain things deemed likely to injure the interests of their brethren or to lower the dignity of their profession. Etiquette is largely founded on custom, and custom is generally born of necessity or of convenience. In the *Tanistry* case (1608, *Dav. Rep.*, at p. 87), custom is explained as follows: "For where the people find any act to be good and beneficial and apt and agreeable to their nature and disposition, they use and practice it from time to time, and so by frequent iteration and repetition of the act a custom is formed, and being used time out of mind it obtains the force of law . . . and so custom is a reasonable act (which) ought to be certain and not ambiguous."

One of the primary essentials of a valid custom therefore, is that it must be reasonable. Customs have been held to be reasonable on the ground that they confer a benefit on a large class of the community, and not unduly or unjustly restrict the rights of the public or individuals. And as etiquette is largely based on custom the same considerations which govern custom will also, in a measure apply to etiquette. Etiquette like custom may be prejudicial to the interest of a particular person and yet be reasonable where it is for the benefit of a profession.

Professional Ethics

The characteristic feature of professional self-government is the development within its organization of rules of conduct which are enforced on its members; the development of professional ethics is perhaps one of the best results of

professional organization. These rules relate either to the conduct of professional men to each other or to their conduct towards the community in general. The rules relating to the conduct of members, *inter se*, generally forbid competition and advertisement, discourage the adoption of unorthodox views, and prevent the association with unqualified persons of their own profession, and even qualified persons of allied professions. These rules tend to good feeling and the maintenance of a high standard of honor between members of the profession. The rules relating to the conduct towards the community in general seek to distinguish between what is permitted to a professional from that which is permitted to a business man. There is an insistence on a profession being regarded as a vocation founded upon specialized educational training, the purpose of which is to supply disinterested counsel and service to others for a direct and definite compensation, wholly apart from expectation of other business gain.

Business men may compete with one another in price and quality and use the arts of advertising in selling their goods. They may enter into secret understandings with others with regard to the sharing of profits and will endeavor to prevent anyone else from making use or profit of any new invention or discovery. Professional men on the other hand are always assumed to gain their livelihood by the sole use of their faculties—except in regard to a limited class of assistants—they are prohibited from having any interest in the things which they recommend to their clients. Any receipt of commissions from other professionals, or from business enterprises, is against professional etiquette. In his private relations with individual clients the professional man is prohibited from using the influence that he gains as a professional man to extract from his client anything more than his recognized remuner-

ation. Any attempt to use his professional position is an opportunity for injuring his client is condemned as infamous conduct. So long as he is professionally engaged, the member of a brain-working profession is required to think only of the advantage of his client, and not of his own interests. In the higher ranges of professional ethics he is expected to risk, and even to sacrifice, his health or his life in the performance of his professional duty, an expectation which never exists in business (Webb).

What is Professional Etiquette?

As the etiquette of a profession is unwritten and breaches of it sometimes vary according to circumstances, it is not always easy to explain or define what the etiquette of a profession really is. But it may concisely be summed up as any act or default which in the opinion of the profession is discreditable, or any conduct which is dishonorable, or which renders a man unfit to be a member of his profession; in short, a breach of professional etiquette is tantamount to unprofessional conduct.

Penalties for Breach of Professional Etiquette

Many professions, including that of accountants, are governed and controlled, *inter alia*, by disciplinary bodies, and in their charter or by-laws such professions specify certain acts or conduct which may lead to expulsion or suspension, e. g., bankruptcy, insolvency, or conviction by a Court of competent jurisdiction. These are, however, grave offenses, and proof of guilt invariably leads to suspension or expulsion. What, then, is discreditable or dishonorable conduct which is tantamount to a breach of professional etiquette, i. e., unprofessional conduct?

Unprofessional Conduct

Usually, unprofessional conduct of a member consists of acts or omissions which are likely to injure the interests of other members, or to lower the dignity of the

profession and usually comprises one of the following:

- (1) Advertising.
- (2) Holding offices or engaging in other business which are not incidental to or consistent with the profession.
- (3) Touting for work.
- (4) The giving of commissions or presents for the introduction of business.
- (5) Accepting fees less than the recognized minimum fees.

Powers of Disciplinary Bodies

Before considering unprofessional conduct generally, it may be remarked that though a profession through its disciplinary committee has powers to expel or suspend a member for unprofessional conduct, it may sometimes be difficult and even unwise to exercise such powers in cases of unprofessional conduct as distinct from breaches of express rules. It all depends upon the gravity and the circumstances of each particular case. The Courts will not, however, usually interfere with the exercise of the discretion of a disciplinary committee, provided it has acted bona fide and in the best interests of the profession and has acted fairly towards the offending member by giving him a proper and adequate opportunity for explaining his conduct, and also has acted strictly according with the procedure dictated by natural justice and also in conformity with its own by-laws or rules. This was illustrated by the case of *James v. Institute of Chartered Accountants* (1908, 98 L. T. 225). Professional misconduct is defined by the Institute by its charter, Clause 20, which provides that "If any person while he is a member of the Institute:

"(1) Violates any fundamental rule of the Institute applicable to him; or

"(2) Is convicted of felony or misdemeanor or is finally declared by any Court of competent jurisdiction to have committed any fraud; or

"(3) Is held by the Council on the complaint of any member of

the Institute or of any person aggrieved to have been guilty of any act or default discreditable to a public accountant; or

"(4) Is adjudged bankrupt or individually or as a partner makes an assignment for the benefit of creditors or under any resolution of creditors or under the order of a Court of Bankruptcy or under any deed or document has his estate placed in liquidation for the benefit of creditors or makes any arrangement for the payment of a composition to creditors; or

"(5) Being in practice as a public Accountant at the date of this our Charter enters into or begins to follow any other business or occupation not in the opinion of the council incident to or consistent with that of a public Accountant; or

"(6) Fails to pay any subscription or other sum payable by him to the Institute under this our Charter or by-laws of the Institute for six months after the same has become due he shall be liable to be excluded from membership or to be suspended for any period not exceeding two years from membership by a resolution of the Council passed at a meeting specially convened for that purpose with notice of the object at which meeting there shall be present not less than twelve of the members of the Council and for which exclusion or suspension not less than three-fourths of those present and voting shall vote, and the member having first had an opportunity of being heard, but any such exclusion or suspension may be at any time revoked or modified by the Council at a like meeting by such a majority as aforesaid subject to such terms and conditions (if any) as the Council think fit and notice of any resolution for exclusion or suspension shall forthwith be sent to the person affected thereby."

Two notices were sent to a member at his address, as registered at the Institute, who had failed to pay his subscription for six months after it had become due, both of

which were returned by the Dead Letter Office as he had changed his address and had omitted to give information of such change to the Post Office and the Institute. The Court held that the member had solely, by reason of his own negligence, not received notice of the proposed meeting of the Council at which he was to be excluded from membership; that communication through the Post Office must have been within the contemplation of the parties in respect to all matters regulating their contractual rights; and that there was nothing more that the Council was bound to do in order to give the plaintiff an opportunity of being heard (*James v. Institute of Chartered Accountants*, ante). The Court of Appeal, in *Young v. Ladies' Imperial Club* (1920 123 L. T. 191), held that where forfeiture of personal rights and privileges were involved the general rules of procedure common to all judicial bodies must be strictly and onerously complied with; and these rules include:

(1) An exact intimation to every party of the precise nature of the steps proposed to be taken, and

(2) The sending of notice to every member of the judicial body entitled to be present and to take part in the decision.

Notice was, in fact, sent to every member except one who had previously said that she could not attend, and it was held that the meeting was therefore invalid and that the action of the meeting in expelling a member was accordingly ultra vires.

Professional Disapproval and Professional Ostracism

A profession has, in addition to the penalties of suspension or expulsion, very effective means of punishing an erring or obstinate member. It may publish a statement of his unprofessional conduct in its official organ, further, professional disapproval or even ostracism, e. g., the refusal of one man to meet another in consultation professionally, is generally sufficient to prevent a member from

failing to observe the customs of his profession since professional disapproval or ostracism has a tendency to spread to the general public to the detriment of the delinquent member; hence the respect paid to and the power of professional etiquette.

Advertising

There is perhaps no more burning or more difficult question than that of professional advertising. A barrister may only allow his name to be placed on his door—to state his profession would be a breach of professional etiquette. His bald announcement would therefore be: Mr. William Jones. An Accountant has the right, similar to that of solicitors, of not only having his name, usually without the style of Mr., but also his profession stated, thus: William Jones, Chartered Accountant. Strictly, that is all the direct advertising—if it can be called advertising in these days of unbridled publicity—a professional man is allowed. And even this limited advertising may be abused, and it is not uncommon for a disciplinary committee to inform a member that he must not advertise his name and profession on his door with the same flamboyancy as if he were a tradesman. Some professions deem it derogatory and contrary to professional etiquette for a member to furnish photographs for publication in the Press or to give an interview to a representative of the Press on any matter in which he has been or is engaged professionally. Blatant forms of advertising in the case of professional men are usually rare, but professional Accountants have to contend with a great deal of bold and objectionable advertisement by what may be called very unprofessional Accountants. These not only make a very big display on their stationery as to their fields of action, but largely advertise their many accountancy activities in the newspapers. There appears to be no remedy against this blatant advertising except compulsory registration, as the delinquents are usu-

ally subject to no disciplinary action or control.

A subtle form of advertising which is considered professionally objectionable is what is commonly called oblique or indirect advertising by members in the lay press, but whether this is in fact objectionable depends on the particular circumstances of each case. Articles written by a professional man in the lay press are not necessarily objectionable on the ground of advertising. It may be desirable to the community and not to the disadvantage of the profession for the public to be enlightened as to what is the professional view on certain matters of public interest, always provided that the article is free from any suggestion of personal advertising, or of puffing or flamboyancy, or of canvassing or blatancy, and concerns a matter of public or general interest. Then, although the writer's name and designation are appended as indicating who is, as it were, behind the information, the publication of an article is quite unobjectionable. In case of doubt the article can be published anonymously. The real test appears to be this; if the writer is writing in the usual way and is paid for his article, then usually editors see that the article does not improperly advertise the writer. If on the other hand the writer is not paid, or worse still, pays to have the article inserted, then such an article may be (but is not necessarily) tainted with advertisement. Usually, it is not the article which gives occasion for offence, but the personal paragraph or puff; these are somewhat common and are unprofessional whether written or inspired, as is more usual, by the person puffed. There are, it is true, subtler forms of advertising which need not be described and can not be prevented.

Naturally a professional man wishes to be known amongst those who are likely to require his services, and his name and reputation—if gained by unselfishness, truthfulness, and honesty of purpose—

will in the end make him known to his public.

Banks and Their Non-Banking Activities

One of the grievances of professional accountants, solicitors, and stockholders is that banks have been and are encroaching on their territory by undertaking services relating, *inter alia*, to will, shares, and income tax. This is a very genuine grievance, since a bank may and does advertise the fact that it is willing to undertake work which in the past was confined to solicitors, stockholders, or Accountants; whereas professional accountants may not advertise the particulars of their work in the same way. There appears to be no effective remedy against this insidious form of competition with professional men. Registration might have prevented it, but owing to the strong position of banks, registration now, it is feared, would not deprive the banks of this incidental work.

Holding Offices Not Incidental to a Profession

To hold offices which are not incidental to or consistent with the profession is an offense which is sometimes lightly regarded, though it is very unprofessional. Whether or not an office is incidental to a profession is often a matter of difficulty and is usually left to the opinion and discretion of the governing body of the profession. Barristers in practice may not practice any other profession, e. g., dental surgery.

It is not always to the benefit or credit of a profession for its members to have a variety of occupations, even if they are somewhat analogous. The lawyer and the medical man confines his work strictly to his profession, adding thereby to its strength and influence, and it may be one of the weaknesses of the accountancy profession that its members sometimes undertake work which is not strictly accountancy or auditing. A professional Accountant is occa-

sionally appointed a secretary of a limited company, and it is doubtful whether, although accountancy may be a branch of his work, it is desirable from a professional point of view, having regard to his objection to the diverse activities of banks, for an Accountant to do work which seems more properly to be the sphere of a chartered secretary.

Of touting for work and the giving of commission for the introduction of business, little need be said except that they are both objectionable and very unprofessional. The first lowers the dignity of a profession and is derogatory to the individual; the second renders the offender liable to prosecution under the Prevention of Corruption Acts, 1906 and 1916, by which if the commission is corruptly given or offered the maximum punishment is seven years' penal servitude.

The Demand for Statutory Registration of Qualified Persons

In all professions, sooner or later, a demand arises from the bulk of the practitioners for statutory or at least an authoritative registration of properly qualified members. This demand is usually accompanied by an insistence that the determination of this qualification, and, therefore, the keeping of this register should be entrusted to an existing body of practitioners who consider themselves qualified. The difficulties and controversies of registration are well known, and in this connection the views of an advanced socialistic writer whose views are not altogether unsympathetic to professionalism may be suggestive. He says that this identification of a register of legally qualified persons with professional self-government is neither logically nor practically necessary, and has, in fact, often not accompanied statutory registration. There are always the alternatives of entrusting the making and keeping of such a register either to the representatives of the community as a whole—that is to say, the Government—or to another profes-

sion, or to an oligarchy within the vocation concerned. These anomalies and diversities in the constitution of the authority keeping the register and determining the qualifications for registration have been the outcome of the prolonged controversies which have characterized every agitation for registration and have been responsible for the delay in obtaining it. The most remarkable feature in these controversies has been, in the United Kingdom, not the divergence of interests between the vocation as a whole and the community as a whole, but the embittered quarrels over policy between the aristocracy and the rank and file of each profession. The agitations which have more recently arisen for the statutory registration of architects and Accountants, and, in a lesser degree, of engineers, are hampered by the internal dissensions within each of these vocations. The leading members of each profession, entrenched in their relatively exclusive scientific or technical societies, which are fortified by substantial fees, high educational qualifications, and, in some cases, apprenticeship to members, see no advantage in a statutory register of qualified practitioners. What these aristocrats in each profession have preferred to seek are clauses in statutes and administrative orders compelling particular authorities to employ only the members of the dominant professional association. Moreover, even when the leaders of a profession give a perfunctory support to any movement for registration, they always insist that the authority controlling the register shall be predominantly made up, not of representatives of the rank and file of the profession, but of its superior grades. We think, on the whole, that the preference and policy of the "aristocrats" and leaders of the profession as regards special favored clauses in statutes and orders, and also that of control of the register, are the best for the profession, and that democratic control of a profession is neither

good for the profession nor for the community. Democratic control promotes equality but thwarts ability.

The Sanctions of a Statutory Register

It is quite rare for a statutory register of qualified persons to be accompanied by a prohibition of practice by unqualified persons; one of the few exceptions is provided by the Dentists Act, 1921. Practically all statutory registers of professionals depend for their efficacy, not on any explicit prohibition of practice by the unauthorized person, but primarily on a prohibition of the assumption of particular titles or designations by the unregistered practitioner; and as this always fails to secure the desired monopoly, secondly, on certain privileges and opportunities being accorded exclusively to duly registered practitioners. A legal monopoly of practice may be given without any statutory registration of the profession, e. g., the Institute and the Society have frequently obtained clauses in private Acts of Parliament confining certain appointments, e. g., as auditor, to their members.

It is to be remembered that registration of a profession does not by any means imply that the profession will therefore be in a privileged position. A medical register does not prevent unqualified men practicing, though coroners, police, judges, and juries have a great prejudice against them in case anything goes wrong; but the most futile of all statutory registers now in being is that of the teachers. Registration, far from securing any monopoly of practice, conveys even no monopoly of designation or title, is not required for obtaining any situation whatsoever, and is ignored, not only by local education authorities, but also by the Board of Education itself, which year by year expressly sanctions the first appointment of many thousands of teachers whom the Teachers' Registration Council holds to be unqualified to teach.

Voluntary Registration

Registration is sometimes advocated as being an advance in status, founded on the belief that greater protection is possible by this means than by a professional body. Where the public requires protection, where there is danger of fraud or negligence, as in the case of nurses and midwives, or where the governing body of the profession is uninfluential or has small disciplinary powers, then registration, with its concomitant of some form of public control, is not only desirable, but necessary.

A learned writer has recently said that the registration of another profession implies the possibility of registering every profession, and once that possibility is realized we are very much further on the way to guild socialism than many honest socialists would go.

Professions are usually regulated either by the recognition of existing bodies by grant of a charter, e. g., Chartered Accountants, or by compulsory registration, e. g., teachers. In the former, owing to the fact that they are usually controlled by those in the front rank of their professions, the governing body has no difficulty in obtaining not only the support of the general body of members, but also recognition by public and statutory bodies, as well as by the public at large—a factor which is often lost sight of. Its authority being thus generally recognized, registration of the members elected under the charter becomes operative by the issue of the official year books and lists of members. In the same way control of professional conduct is exercised.

How does this affect the accountancy profession? Chartered and Incorporated Accountants are relatively in a strong position. They become qualified as professional Accountants by examination and professional experience, and are thereupon recognized by the Institute and Society, which extend protection to their members in a

limited degree, e. g., it appears to be the policy of the Institute and Society to insist that wherever possible the Accountant and auditor of public and statutory bodies shall be a member of the Institute or Society. But the greatest advantage of the present system is that the Institute and Society maintains independence for its members and for itself, whereas under compulsory registration there would inevitably be some form of bureaucratic control. Compulsory registration presents many difficulties to the profession of Accountants; if adopted, it would mean the inclusion, as in the case of dentists, of a number of practising Accountants who are neither members of the Institute nor of the Society. The alternative to this is apparently voluntary fusion between the Institute and the Society. Quite recently, viz., 7th July, 1924, a resolution confirming the provisional agreement for amalgamation between the Royal Institute of British Architects and the Society of Architects was passed by the Institute by 1,712 votes to 263 against. In this case the Society seceded from the Institute about 40 years ago.

Voluntary v. Compulsory Registration

What, then, are the advantages of compulsory registration? Registration sometimes actually creates a profession as in nursing and midwifery, and it may also be used for the purpose of making a profession a closed profession. As regards professional Accountants the first does not apply, though the second appears *prima facie* to be very attractive. Registration would protect the professional Accountant by providing that none but registered Accountants would be entitled to sue for their fees, which would not be of great value, except that it would probably lead to the practice of only employing registered Accountants by the gradual disappearance of unregistered accountants. Thus, when there is compulsory registration

none but registered members may, as a rule, practice, but it appears that compulsory registration of doctors and teachers does not prevent, though it may thwart, unqualified persons from practice, whereas in the case of a professional body governed by a charter there is no such restriction. But registration would not necessarily tend to raise salaries or fees; the tendency would probably be to increase the fees paid in small country towns and reduce them in the larger centres. Registration would not improve social status, and one of the differences between a profession and a trade is that the former is considered socially superior to the latter. This may seem to partake of snobbery, but the answer to that appears to be that a profession, having as its highest ideals public service rather than the pursuit of private gain, is entitled to such recognition—and, as has been said before, lock-outs and strikes are unknown in a profession. Again another consequence of registration is that the State may take steps to maintain or to raise the standard of qualifications of members of the profession, e. g., the Solicitors Act, 1922, requires candidates for admission to attend a law school for one year. There is, of course, an analogy between the position of solicitors and Accountants. Before entering either profession, a person must usually be articulated to one of the profession and pass certain examinations. The student Accountant prepares for his examinations as a rule by attending evening classes at some local educational institute, or by correspondence in the case of those living at some distance from other educational facilities. This has the advantage of not only giving the potential Accountant the fullest possible opportunity of gaining practical experience in what will be his professional work, but also emphasizing the fact. Accountancy training in the classroom may tend to multiply examinations and so justify the growing

opinion that life is rapidly becoming an unending series of examinations.

Whether in a profession, where the work is so diverse and so highly technical, a year's attendance at class at the expense of actual practical professional experience in an Accountant's office is advantageous or desirable seems doubtful.

The policy of the Board of Education seems to be to obtain control, not only of higher education, but also of professional education, which may be a good or bad thing from the professional point of view. State jurisdiction, which usually results in bureaucratic control, rather tends to equality between members at the expense of efficiency and initiative.

Obviously, a profession which adopts registration must necessarily lose some of its independence, and it is a matter in which there may very well be great difference of opinion as to whether registration is so very attractive and desirable as it appears to be. It is usually the policy of the State, when it grants a monopoly, e. g., to allow none but registered members to practise, to accompany it with some control. In the past this control, as regards the older professions, has been negligible, but in regard to the newer professions the control would be probably more onerous and bureaucratic.

If one may venture to express an opinion, compulsory registration of Accountants would not altogether be in the interests of the profession or of the public, though fusion, practicable, between the Institute and the Society would probably strengthen the profession. But those who desire compulsory registration, and even fusion, should, it is suggested, remember that the rapid and unexampled rise to power and dignity of the Institute and the Society has been largely due to the ability, foresight, and wisdom of their respective governing bodies, which have made Accountancy a profession recognized, not only by public bodies and the public generally,

but by the older professions. Compulsory registration or statutory recognition would not necessarily give the profession a monopoly and may very well rob it of its independence. The Councils of the Institute and the Society, having done so much for the profession in

the past, may therefore be safely entrusted with the welfare and well-being of the profession in the future, who may perhaps be well advised to avoid the shoals of compulsory registration and the shallows of statutory recognition.

—The Accountant.

C. P. A. EXAMINATION QUESTIONS

Michigan

COMMERCIAL LAW

Monday, December 22, 1924
8 A. M. to 12 M.

1. A check made payable to the order of a corporation was endorsed by the president of the corporation to himself, and deposited by him in a bank to his personal credit. The corporation sued the bank to recover the money so paid. What, if any, is the liability of the bank? Give reasons for your answer.

2. Give definition of Suretyship and Guaranty.

3. Name the eight courts of the Federal Government; also the various courts in the State of Michigan.

4. Define: Estate by the entirety; joint tenancy; tenancy in common.

5. What is meant by the so-called "Blue Sky Law"? What information is necessary to be stated in the application for a license for permission to dispose of stock in a corporation?

6. (a) What are the reasons or arguments favoring the formation of a partnership to conduct business?

(b) What are the arguments favoring the formation of a corporation?

7. State the difference between agent, servant and independent contractor.

8. What information must be contained in the corporation's annual report to the Secretary of State?

9. (a) What is the purpose of the bankruptcy laws?

(b) What are some of the debts not dischargeable in bankruptcy?

10. Define briefly the more important powers and duties of the directors of a mercantile or manufacturing corporation, and state some acts (1) which would render the directors personally liable, (2) be ultra vires on the part of the corporation. Explain what ultra vires means.

11. What is a Public Administrator, and under what circumstances is he authorized to administer estates of deceased persons?

12. Where a lien for United States revenue taxes has accrued against real property, in what office should the same be filed?

13. What are the duties of the Mich-

igan Public Utilities Commission? Answer fully.

14. Give the jurisdiction of the Department of Labor of the State of Michigan.

15. (a) What is the Statute of Frauds: As applied to real property, personal property?

(b) Give definition of an express warranty, implied warranty, concerning the sale of goods.

16. Under what circumstances may a seller stop goods in transit?

17. Give the provisions of the "Bulk Sales" Law of the State of Michigan.

18. What procedure is necessary before a foreign corporation or investment company can legally conduct business within the State of Michigan?

19. A corporation was created with power to do a banking business. Did it have the power, with the consent of all the stockholders, to invest in a manufacturing business? Give the reasons for your answer.

20. A, B, C and D formed a mercantile corporation, complying with the law, with a capital stock of \$20,000, and this was actually paid in. Subsequently the corporation failed, owing debts, over and above its assets to the amount of \$50,000. Did the creditors lose or could they hold A, B, C and D liable; and why?

21. A employed B as his agent in some illegal stock gambling transactions which netted A a considerable profit. A then refused to pay B the stipulated compensation. B sued A to recover this compensation. Had A any defense to B's action?

22. Give definition of Corporeal and Incorporeal property.

23. What is a Bailment? Give modern classification of bailments.

24. Give legal requisites of the following: Warranty Deed; Chattel Mortgage Bill of Sale; Last Will and Testament.

PRACTICAL ACCOUNTING—PART I

Monday, December 22, 1924

1 P. M. to 5 P. M.

Total possible credits, 50. The candidate is required to answer Problem I,

and may elect either Problem II or Problem III.

Problem I—(30 credits possible).

The Balance Sheet of a business operated by "A" appears as follows, January 1, 1924:

Assets	
Cash	\$1,650.48
Accounts Receivable	28,442.15
Inventory	35,000.00
Land	8,000.00
Buildings	10,870.56
Machinery	31,129.44
Good Will	25,000.00

Liabilities	
Accounts Payable	\$32,592.63

"B" effects a partnership agreement with "A." He accepts "A's" valuation of Good Will but demands an adjustment of the total capital asset accounts to 85 per cent of values shown. "A" agrees to merge "B's" business with his own on condition that "B" guarantee the Accounts Receivable, and divide profits according to the average investments for the year.

The Balance Sheet of "B" follows:

Assets	
Cash	\$1,500.00
Accounts Receivable	20,689.75
Inventory	31,000.00
Machinery and Equipment	19,577.20

Liabilities	
Accounts Payable	\$18,851.51
Reserve for Depreciation	3,915.44
Transactions for the year were:	

Purchases	275,145.60
Expense	101,384.15
Payments of Invoices	383,000.00
Sales	377,017.82
Cash Received from Customers	375,000.00
April 1, 1924, "A" contributed	15,000.00

July 1, 1924, it was agreed that \$10,000 of "B" Accounts Receivable be charged off. Also, at that date there was charged off \$5,000 on value of "A's" land.

October 1, 1924, "A" drew \$10,000.

December 1, 1924, "B" loans partnership \$5,000 without interest and takes a note maturing February 15, 1925. At the close of the year it was agreed that "A" be credited with \$5,200 as salary for the year. Depreciation was set at 2 per cent for Buildings; 10 per cent for Machinery and Equipment. Inventory of Merchandise, \$36,000.

Prepare Balance Sheet as at December 31, 1924, and Statement of Revenues and Expenses for the year.

At the beginning of the next year "C" is offered a share in the business. He pays \$30,000. The partnership profits are to be apportioned as follows: "A," $\frac{1}{2}$; "B," $\frac{1}{4}$; "C," $\frac{1}{4}$. The partnership does not proceed harmoniously. "C" withdraws \$15,000. The profits for the year are only \$10,000. The partners decide to discontinue the busi-

ness. On February 15, 1926, \$50,000 is available for distribution, after all debts to outside creditors have been paid.

On April 15, another \$50,000 is

available for distribution. A final distribution is made on May 15 of \$10,200.

Show the partners accounts, indicating how the cash should be distributed in each installment.

Problem II—(20 credits possible).

The XYZ Corporation was organized on June 10, 1900, under the laws of the State of Michigan.

The following is a comparative Balance Sheet showing the financial position of the Company on January 1 and December 31, 1924, together with an analysis of the combined Profit and Loss and Surplus account during the year 1924:

		Balance Sheet	
		Jan. 1, 1924	Dec. 31, 1924
Assets:			
Cash	\$183,467.34	\$199,573.92	
Notes Receivable	65,000.00	182,000.00	
Accounts Receivable	241,105.72	474,922.73	
Inventory	1,054,965.51	661,698.99	
Investments Acquired in "1910"	72,000.00	40,000.00	
Land	55,000.00	55,000.00	
Buildings	510,000.00	510,000.00	
Machinery and Equipment	208,000.00	208,000.00	
Furniture and Fixtures	18,000.00	18,000.00	
Patents	75,000.00	75,000.00	
Outside Real Estate	32,000.00		
Good Will		40,000.00	
Unamortized Bond Discount		20,000.00	
Deferred Expenses	16,432.70	12,327.10	
Treasury Stock		5,000.00	
Total Assets	2,530,971.27	2,501,522.74	
Liabilities:			
Six per cent Bonds Dated January 1, 1924—			
Maturing January 1, 1934	\$200,000.00	\$200,000.00	
Notes Payable	55,000.00	49,000.00	
Accounts Payable	199,526.62	104,119.64	
Accrued Payroll	8,472.10	8,746.72	
Reserve for Contingencies	10,000.00	15,000.00	
Reserve for Depreciation	100,000.00	100,000.00	
Capital Stock	1,500,000.00	1,520,000.00	
Surplus	457,972.55	504,656.38	
Total Liabilities	2,530,971.27	2,501,522.74	
Surplus—January 1, 1924	457,972.55		
Add Credits:			
Sales	\$3,290,426.56		
Interest on Bank Deposits	7,120.00		
Interest on 4 $\frac{1}{4}$ per cent Liberty Bonds	200.00		
Profit on Investments Sold	12,000.00		
Dividends Received on Stock Owned in Other Domestic Corporations	750.00		
Damages Received for Unfilled Contracts	3,200.00		
Recoveries on Bad Debts Charged off in "1922"	1,850.00		
Gain on Sale of Outside Real Estate	16,000.00		
Capital Stock Sold Above Par	5,000.00		
		3,336,546.56	
		3,794,519.11	
Less Debits:			
Cost of Goods Sold	\$1,777,897.73		
Compensation of Officers	72,000.00		
Repairs	9,450.00		
Interest on Bonds	6,000.00		
Other Interest	2,372.00		
Taxes	52,431.00		
Bad Debts Charged Off	43,721.00		
Other Expenses	408,391.00		
Stock Retired Above Par	1,000.00		
Insurance Paid on Lives of Officers to Secure Loan	3,200.00		
Donation to Y. M. C. A.	500.00		
Additional Income Tax Paid for "1919"	1,600.00		
Interest on Above	300.00		
Increase in Reserve for Contingencies	5,000.00		
Dividends paid on June 30, 1924	450,000.00		
Dividends paid on December 31, 1924	456,000.00		
		3,289,862.73	
Surplus—December 31, 1924		504,656.38	

Less Debits:

Cost of Goods Sold	\$1,777,897.73
Compensation of Officers	72,000.00
Repairs	9,450.00
Interest on Bonds	6,000.00
Other Interest	2,372.00
Taxes	52,431.00
Bad Debts Charged Off	43,721.00
Other Expenses	408,391.00
Stock Retired Above Par	1,000.00
Insurance Paid on Lives of Officers to Secure Loan	3,200.00
Donation to Y. M. C. A.	500.00
Additional Income Tax Paid for "1919"	1,600.00
Interest on Above	300.00
Increase in Reserve for Contingencies	5,000.00
Dividends paid on June 30, 1924	450,000.00
Dividends paid on December 31, 1924	456,000.00
	3,289,862.73

Surplus—December 31, 1924 504,656.38

From the above determine the "1924" income tax liability of the XYZ corporation, after taking into consideration the following:

(1) The inventory on December 31, 1924, was taken at cost or market, whichever was lower. A lump sum of \$8,000.00 was also deducted to provide for an anticipated loss on certain goods on hand.

(2) An analysis of the changes in the investment account is as follows:

Sold.	Cost.	Value on 3-1-1913.	Sold for.	Loss of Grain Per Books, on Cost.
Stock in X Co.	\$16,000.00	\$18,000.00	\$10,000.00	\$6,000.00
Stock in Z Co.	16,000.00	20,000.00	34,000.00	18,000.00
Total	32,000.00			12,000.00

The corporation also held 400 shares of common stock in the R. Co., on which it received a stock dividend of 100 per cent during the year, but made no entry on its books with respect thereto.

(3) No depreciation has been set up during "1924." The company acquired a portion of its assets prior to "1913," and on March 1, 1913, had an appraisal showing values indicated below. The facts with respect to the depreciable fixed assets are as follows:

Assets.	Value on 3-1-1913.	Cost on 3-1-1913.	Additions at Cost Since 3-1-1913.	Total Cost 12-31-1924.	Depre- ciation Rate Used.
Buildings	\$632,000.00	\$454,000.00	\$56,000.00	\$510,000.00	2 per cent
Machinery and Equipment ..	210,000.00	126,000.00	82,000.00	208,000.00	5 per cent
Furniture and Fixtures ..	18,000.00	14,000.00	4,000.00	18,000.00	5 per cent

The accrued depreciation on cost at March 1, 1913, was:

Buildings	\$21,000.00
Machinery and Equipment	17,500.00
Furniture and Fixtures	4,000.00

(4) The company owned a very valuable patent which it purchased on March 1, 1910, for \$75,000.00. On March 1, 1913, the corporation could prove a value on this patent of \$390,000.00. The patent was issued on March 1, 1909.

(5) The company issued \$200,000.00 of 6 per cent bonds on January 1, 1924, at 90, and set the discount up as an asset. The bonds mature January 1, 1934. The interest is payable July 1, and January 1. (Annuity method not required.)

(6) On April 5, 1924, the corporation sold a piece of land which it acquired in 1914 for \$20,000.00. In 1916 the corporation appreciated the land on its books to \$32,000.00. On the above date the property was sold for \$44,000.00 on an installment contract—\$8,000.00 down and the balance at the rate of \$6,000.00 per year for 6 years.

(7) Good will was created during 1924 by a credit to the following accounts:

Advertising Expense in connection with promoting a new product	\$14,000.00
Officers' Salaries	10,000.00
Legal Expense	16,000.00
Total	40,000.00

(8) In "1922" the corporation showed a net loss of \$82,000.00, both on its income tax return and books, and in "1923" a taxable profit of \$47,000.00 was disclosed.

Problem III—(20 credits possible).

A certain issue of \$100,000 of 4 per cent bonds is dated September 1, 1913, and interest begins at that date; but interest is payable on February 1st and August 1st and the principle (with four months interest) is payable December 1, 1917.

(a) What is the value of the bonds on a 3.60 per cent basis at the date of issue?

(b) What is their value on the same basis at December 1, 1913?

(c) At August 1, 1917?

AUDITING

Wednesday, December 24, 1924
1 P. M. to 5 P. M.

1. You are auditing the books of a partnership and you find some investments in real estate with the titles resting in the names of the individual copartners. How would you treat them?

2. You are auditing a manufacturing

concern. There is an apparent deficiency in the inventory of the work in process. How would you proceed and what remedies would you suggest? Predicate the remedies on a condition which you find.

3. Outline a plan of audit for an installment selling concern dealing in house furniture.

4. Outline a program for a balance sheet audit of a Real Estate Development Company that would be satisfactory to the Federal Reserve Board plan.

5. You are auditing a concern preparatory to a change of policy. They will change their stock from one hundred dollars a share to a non-par value. Discuss your method of handling stock in the change, also the method of handling the surplus. Give arguments for and against non-par stock.

6. Two banks are about to consolidate and will take your certificate on the following points: Reserve for unearned interest, Reserve for taxes, Reserve for federal taxes, Reserve for losses, Reserve

for depreciation on securities. State your procedure.

7. A corporation, being in debt and unable to finance its plans, decides to sell two-thirds of its property (real estate) for preferred stock of a new concern that will utilize the part sold. The capital stock will then be decreased to the value of the property retained. The present capital is \$300,000 common. The new capital will be \$150,000 common. The sale is made for \$600,000 preferred stock. The debts of \$150,000 will be paid with \$300,000 of the preferred stock at 50, that being the best price obtainable. Each stockholder will receive for each two shares of the stock now held, one share of the common and two shares of the preferred at 50. Make the proper entries and discuss the question of federal taxes.

8. You are auditing a concern in view of a refinancing with long time bonds. To what will you give special attention? A prospectus is to be prepared. What information should it contain?

9. A corporation desires to declare an interim dividend but does not want to take any chances on exceeding its profits for the current period. Select a type of corporation with which you are familiar and prepare a report following your work.

10. You have been auditing the books of a company which, has gone into bankruptcy. With what accounts of the bankrupt concern will you open the book of the receiver? Why?

PRACTICAL ACCOUNTING—PART II

Tuesday, December 23, 1924
8 A. M. to 12 M.

Total possible credits, 50. The candidate is required to answer Problem I, and may elect Problem II or Problem III.

Problem I—(30 credits possible).

Company "D" acquires the common capital stock of companies "A" and "B.". Because of the conditions under which "A" and "B" operate, the corporate existence of these companies is maintained. However, directors of "A" and "B" are on the directorate of "D." Company "D" gives 2 shares of common stock and 2 shares of preferred stock for one of "A"; and 6 shares of common stock and 6 shares of preferred stock for one of "B"—all having a par value of \$100.

At the same time "D" acquired $\frac{3}{4}$ of the stock of the "C" corporation, paying \$35,000.

At the end of the year "D" has \$11.93 in the bank; owes "A" for cash advances, \$1,108.66; has received from "A" and "B" for dividends, \$5,124; paid expenses of \$1,382.33; paid dividends of \$4,838.40; the capital stock,

authorized and outstanding was common stock, \$155,000—preferred stock, \$120,000.

The Trial Balances of "A," "B" and "C" at the end of the year are as follows:

Company "A"

Cash	\$651.08	
Accounts Receivable	22,791.59	
Notes Receivable	6,317.94	
Outside Investments	12,757.70	
Furniture and Fixtures	3,322.76	
"B" Corporation	32,092.10	
"D" Corporation	1,108.66	
Accounts Payable		\$19,540.59
Notes Payable		22,943.99
Capital Stock Issued		30,000.00
Surplus		11,893.68
Sales		14,207.65
Interest Earned		71.75
Miscellaneous Revenue		240.88
Advertising	\$865.07	
Bad Debts	209.88	
Depreciation	255.93	
General Expense	142.10	
Interest	429.99	
Office Expense	3,448.99	
Officers' Salaries	5,477.08	
Postage	355.88	
Rent	228.24	
Salesmen's Salaries	3,072.56	
Telephone	267.69	
Entertainment	253.30	
Dividends Paid	4,850.00	
	98,898.54	98,898.54

Company "B"

Cash	\$14.24	
Accounts Receivable	3,531.97	
Notes Receivable	200.00	
Furniture and Fixtures	586.62	
Organization Expense	10,195.19	
"C" Corporation		\$1,721.21
Accounts Payable		247.34
Notes Payable		4,800.00
"A" Corporation		32,092.10
Capital Stock Issued		10,000.00
Deficit	\$42,855.72	
Sales		29,200.02
Miscellaneous Revenue		136.40
Depreciation	\$65.18	
Interest	596.77	
Office Expense	6,351.68	
Officers' Salaries	7,667.89	
Postage	498.17	
Rent	319.52	
Salesmen's Salaries	4,633.78	
Telephone	406.34	
Dividends Paid	274.00	
	78,197.07	78,197.07

Company "C"

Cash	\$1,024.06	
Notes Receivable—Company "A"	5,400.00	
Due from Stock Subscribers	2,925.00	
Furniture and Fixtures	970.27	
Patents	25,000.00	
Accounts Payable		\$661.63
Notes Payable		4,000.00
"B" Corporation	\$1,721.21	
Capital Stock Subscribed—But Not Issued		3,000.00
Capital Stock Issued		27,650.00
Surplus		1,857.25
Sales		26,983.07
Interest Earned		111.96
Bad Debts	\$1,737.94	
Depreciation	242.57	
Dividends Paid	3,174.25	
General Expense	392.73	
Interest	681.98	
Office Expense	5,518.26	
Officers' Salaries	8,763.34	
Rent	934.48	
Salesmen's Salaries	4,936.15	
Telephone	841.67	
	64,263.91	64,263.91

You find that certain expenses have been apportioned between "A" and "B," amounting to \$5,700, but the data relative to the specific allocations is not at hand, and therefore you do not know what accounts have been charged or credited. You also find listed among the individual accounts receivable of "A" an account with "B" of \$200.

Prepare a Work Sheet, Consolidated Balance Sheet, Profit and Loss Statement and Surplus Account.

Problem II—(20 credits possible).

James Brown and Enos Russell own adjoining tracts of land near a new industrial development. Brown has 200 acres fronting on highway. Russell has 250 acres in the rear of Brown's tract, and less valuable for home sites. All of the land is in cultivation. They decide to subdivide and sell building lots. In order to raise capital for this purpose Brown borrows \$20,000 and Russell borrows \$25,000, both loans being secured by mortgages on the land. They arrange with a real estate operator, Samuel Howard, who advances \$5,000 for expenses and agrees to dispose of the lots for a commission of one-seventh of the profits; Brown and Russell to divide remaining profit 60 per cent to Brown and 40 per cent to Russell. The holder of the mortgages had loaned on the land as farming land, both tracts being of equal value for agricultural purposes, and he agreed to release the mortgages as to any lots purchased provided proportional amounts of loan be paid off. On this basis he also agreed to release mortgages on portions of land required for streets, alleys and parks in consideration of payment out of first receipts of \$18,000 on account of mortgages.

After laying out streets, alleys and parks there remained 1,200 lots in Brown's tract and 1,800 lots in Russell's tract, all of same size, but priced to sell as follows:

Brown's Tract	
300 lots at	\$220
400 lots at	185
500 lots at	120
Russell's Tract	
600 lots at	\$150
700 lots at	100
500 lots at	80
Sales are made for cash as follows:	
Brown's Tract	
50 lots at	\$220
400 lots at	185
140 lots at	120
Russell's Tract	
210 lots at	\$150
400 lots at	100
300 lots at	80

Cash was received in full but payments to release mortgages have not yet been made.

To date \$65,000 has been spent in

plats, surveying, advertising and other expenses. Value of plats and other pre-paid expenses is agreed by all concerned as being \$9,000.

Brown had paid \$160 an acre for his land and Russell had paid \$240.

What is amount of profit to date for each of the three men, and what amount is due mortgagee for releases?

Problem III—(20 credits possible).

On the books of the Eldorado Mining Company (kept by single entry) the following balances are found:

	Dr.	
Mine	\$1,000,000.00	
Treasury Stock.	300,000.00	
Development or Construction Expense	180,000.00	
Plant	15,000.00	
Buildings	10,000.00	
Cash	5,000.00	
Accounts Receivable ...	16,895.50	
Capital Stock	\$1,500,000.00	
Accounts Payable	24,956.75	

On Treasury Stock account the original debit was \$500,000 and there is a notation that this stock was all disposed of—\$200,000 cash being received for \$430,000 of shares, and \$70,000 of shares being delivered as payment for services in promoting the Company.

It is now desired to keep the books by double entry.

(a) Make the necessary Journal Entries.

(b) Criticize the item of "Treasury Stock" and express an opinion as to your understanding of the term.

ECONOMICS AND PUBLIC FINANCE

Tuesday, December 23, 1924

1.30 P. M. to 5.30 P. M.

1. William Green, who succeeded Samuel Gompers as President of the American Federation of Labor, in his first public statement, used the following sentence: "We will endeavor to promote collective bargaining, the observance of wage agreements, and the acceptance of the organized labor movement by all classes of people as a logical and necessary moral force in the economic, industrial and social life of the nation." To what extent is that statement sound or at what points would you criticize it?

2. Explain the difference between the economic and the accounting views of capital.

3. During the Presidential campaign just closed the following statement was frequently used: "The price of wheat is being advanced to fool the farmers." Explain the economic principles involved in this statement.

4. Define money, explain its use, and discuss the term legal tender?

5. During the recent campaign the statement was often made that "Reserve banks had forced a great deflation of credit." Discuss that statement from the economic standpoint.

6. Define the economic terms; production; consumption; distribution; wealth; rent.

7. Michigan has had the question of the adoption of the income tax presented to it in two campaigns. Oregon passed such legislation in 1923, which was repealed as the result of a referendum in 1924. Give the arguments for and against an income tax for States.

8. One of the subjects which is being debated in Congress relates to the disposition of Muscle Shoals. What are the different propositions before Congress and what is the economic basis of each, advancing arguments either for or against each of the propositions?

THEORY OF ACCOUNTS

Wednesday, December 24, 1924

8 A. M. to 12 M.

1. Prepare a cost sheet for some industry.

2. Name and explain five deferred charges to future operations.

3. Explain the theory on which organization expenses should be handled. Also contingent liabilities.

4. Name and explain the classes and sources of surplus and also its disposition.

5. Illustrate and explain a reserve against an asset account, one for a specific liability, and one which is a withholding of profits.

6. Define: Working capital; suspense account; controlling accounts; trading account; secret reserve; bonus stock; donated capital stock.

7. In a statement of manufacturing cost the following items appeared: Insurance on buildings and equipment, taxes, rent of factory buildings, interest on capital invested in fixed assets, watchmen's salaries and expenses. Express your opinion of each and give reasons.

8. Name all the different forms of discounts and illustrate how they are handled.

9. Explain the different classes of dividends. Can a dividend legally be paid out of capital? Explain.

10. A street car company has a cash fare rate and sells two classes of tickets at different prices. How should it apportion its receipts to secure a proper distribution of earnings?

Advertising Agency's Accounting

(Continued from page 9)

these purposes is taken from one in successful operation:

Left Hand Page:

Cr. Sundries

Cr. Service Sales

Engravings, Cuts, etc.

Advertising

Dr. Accounts Receivable

Folio

Date of Bill

Name of Client

Right Hand Page:

Name of Publisher

Date of Invoice

Folio

Cr. Accounts Payable

Cr. Accrued Publishers Charges

Dr. Cost of Service Sales

Advertisements

Engravings, Cuts, etc.

Sundries

Accrued Charges Invoiced

The details of the bills to the clients are recorded on the left hand page, and since the bill contains the names of the publications they can be listed in the "Name of Publisher" column at the same time. At the end of the month complete figures should appear opposite each publisher's name, thus entered, as explained hereinafter.

As the publishers' invoices are received and checked with the checking record, they should be entered on the right hand page in the "Date of Invoice," "Accounts Payable" and "Cost of Service Sales" columns. While individual invoices can be obtained for each insertion, an invoice including insertions of different advertisements can be entered in separate amounts and proper notation thereof made on the invoice.

A problem occurs, however, in the case of insertions for which the agency does not receive a publisher's invoice before closing the monthly accounts. In order to arrive at accurate earnings, such charges are accrued and instead of entering the amount in the "Accounts Payable" column it is en-

tered in the "Accrued Publishers' Charges" column, while the debit is recorded in the usual manner.

To provide for the invoices received late which have been accrued formerly, the "Accrued Charges Invoiced" column is provided. Two pages each month are reserved for this purpose and the amount of the invoice when received entered in this column while the difference between the accrual and the actual invoice can be adjusted through the "Accrued Publishers' Charges" and the "Cost of Service Sales" columns.

In the case of charges to clients for engravings, cuts, drawings, etc., the clients bill, as well as the liabilities to engravers or artists for the work done should be entered in the books as provided for, and in the period to which they are applicable. Any service of this nature performed by members of the staff in an advertising agency should of course be costed and proper credit made to salaries and supplies.

At the end of the month the totals of the columns in this book are posted to the general ledger accounts of like headings as indicated, and the total of the "Accrued Charges Invoiced" column being posted as a debit to "Accrued Publishers' Charges" and a credit to "Accounts Payable."

From experience the great detail incident to bills and invoice has proved the necessity of separate accounts receivable and accounts payable ledgers with the usual ledger rulings. In the case of agencies not using a great number of publications, the voucher register without any supporting creditors' ledger may prove satisfactory.

The auditor should ascertain that all insertions, engravings, drawings, etc., have been properly billed and that the corresponding cost is recorded as a liability, if not paid, otherwise the true earnings are not reflected.

By following the procedure outlined above, the volume of business and the net commission earned can

be ascertained monthly. If all expenses pertaining to the given period have been recorded and with discounts and interest, Federal tax

accruals, and usual minor items, set up either as prepaid or accrued, a monthly profit and loss statement may readily be prepared.

STATE SOCIETY NEWS

District of Columbia

The fourth annual meeting of the District of Columbia Institute of Certified Public Accountants was held on the evening of June 23rd at the Congressional Country Club. James A. Councilor, President, presided.

A splendid banquet was served to about forty members and guests. The Institute had as its guests on this occasion a number of officers and directors of the American Society of Certified Public Accountants who were holding their Board of Directors meeting in Washington. Among those present were Edwin L. Pride, of Boston, President of the American Society; Chester M. Foss, of Portland, Me., Director for the first district; Homer A. Dunn, of New York City, Director for the second district; Harry B. Scott, of Pittsburgh, Pa., Director for the third district; W. L. Harrison, of Washington, D. C., Secretary of The American Society, and D. W. Springer, of Ann Arbor, Mich., first President of the American Society.

Charles D. Hamel, Esq., former Chairman of the United States Board of Tax Appeals, was present and made a short address. Reports of the several officers were read. They showed a healthy growth during the past year and indicated that the District Institute is undertaking some very important work for the profession in the District.

The election for directors for the one and three year terms were held and the following were named: Lester A. Pratt, Dwight N. Burnham, Edward Thompson and W. L. Harrison. These newly elected directors together with the directors that hold over, namely, James A. Councilor, C. Vaughan Darby and

Edward M. Tyler now constitute the Board of Directors. This Board will elect the officers for the ensuing year at their next monthly meeting.

After the banquet a very delightful entertainment was put on and those present agreed that Edward Thompson, the Chairman of the Entertainment Committee, had provided one of the most enjoyable evenings ever held by the local organization.

Georgia

The Georgia Society of Certified Public Accountants held a meeting on May 2, 1925, in the rooms of the Chamber of Commerce, Atlanta, Georgia, for the purpose of discussing the legislative program of the Society and to determine whether or not it was advisable for the State Society to make an effort to secure a new accountancy law for Georgia to take the place of the one which has now been in force eighteen years.

Previous to the meeting copies of the law advocated by the New York State Society during the recent session of the legislature, known as the Phelps-Downing Bill, had been distributed to all members of the Society, also copies of the Suggested Bill which had been drafted at the Conference of State Society Officials and State Board members at the Washington Conference last December 3. Copies of that bill had been supplied by The American Society of Certified Public Accountants.

On the invitation of the President of the Georgia Society, Mr. Seeger, the Secretary of The American Society of Certified Public Accountants, W. L. Harrison, was present for the purpose of explaining the provisions of the Suggested Bill

and the reasons which came out in the discussion at the Conference in Washington that prompted each of the provisions.

The meeting was well attended, there being about 40 present. After some discussion and a report from the Chairman of the Legislative Committee, Mr. Joel Hunter, it was decided that the suggested bill be read and discussed paragraph by paragraph. This discussion consumed the time from 2 to 9 o'clock of the afternoon and evening with a recess for dinner lasting about an hour.

The spirit which animated this meeting was encouraging and centered around the question of greater protection and safeguards for the public. Every change suggested in the present law was argued out on that basis. All of the C. P. A.'s present seemed to feel great public responsibility by reason of their professional status and it was the desire of those present that Georgia should have the very best law for the protection of the business and investing public.

From the discussions that took place the Committee was instructed in a very liberal manner to secure the introduction of the Suggested Bill after proper legal advice and counsel and to work for its passage in the Legislature which met on June 24th.

Mr. Rivers, Secretary of the Georgia Society, and W. L. Harrison, Secretary of The American Society, then went to Savannah and arranged through Mr. Eaton and Mr. J. T. McIver for a conference with the C. P. A.'s there on the evening of May 5th, which was preceded by a dinner at the Rathskeller. The dean of the Savannah C. P. A.'s, Mr. C. W. Saussy, presided.

This meeting was remarkable in two respects: First, on account of attendance. With only 36 hours' notice, 14 of the 17 C. P. A.'s in Savannah were able to make arrangements to attend. Two of the other three were out of the city and the third was detained on account of a previous engagement; second,

it was noteworthy because of the very great interest manifested by those present and the hearty discussion of the Suggested Bill, following practically the same line of thought that came out in the Atlanta meeting. Mr. Rivers was able to carry back to the Legislative Committee in Atlanta the consensus of opinion of the Savannah C. P. A.'s, which was incorporated in the bill to be introduced.

Plans were laid at this meeting for the formation of a Savannah Chapter to be affiliated with the Georgia Society.

The bill to be introduced will follow closely the Suggested Bill and the Michigan law and is designed to completely regulate the public practice of accountancy.

Kansas

The Kansas Institute of Certified Public Accountants held its annual meeting on June 16, 1925, at Topeka, Kans.

The meeting was devoted principally to discussion of Arbitration and its relationship to accountancy and the profession generally. There was also discussion of the question of educational publicity both as to professional standards and as to what the various institutes and accountants societies stood for.

It was through the efforts of the Kansas Institute that a bill which had been introduced in the recent Kansas Legislature for the purpose of annulling the Kansas C. P. A. Law was allowed to "die on the Calendar."

The following officers were elected for the ensuing year: President, Wm. T. Newman, C. P. A., Topeka, Kans.; Vice President, J. D. French, C. P. A., Topeka, Kans.; Secretary-Treasurer, J. D. M. Crockett, C. P. A., Kansas City, Mo.

Kentucky

The annual meeting of the Kentucky Society of Certified Public Accountants was held on June 19, 1925, at the Phoenix Hotel, Lexington, Ky.

Maine

The annual meeting of the Maine Society of Certified Public Accountants was held at the Moulton House, Scarborough, on the afternoon and evening of Saturday, June 6.

A golf tournament at the Willowdale links, dinner at the Moulton House and a business meeting in the evening made up the program of the meeting. The after-dinner speaker was Richard T. Whitney of the American Appraisal Company, who had as his subject "Appraisals and Their Relation to the Interests of the Business Community."

Maryland

The annual meeting of the Maryland Association of Certified Public Accountants was held on June 9, 1925. Following a banquet the officers for the ensuing year were elected as follows: President, Charles O. Hall; Vice President, Charles C. Croggon; Secretary, Marshall C. Roop; Treasurer, Edward J. Stegman; Auditor, Charles L. Hehl. The trustees for the coming year are: Raymond C. Reik, Thomas L. Berry, Elmer L. Hatter and Charles R. Ditman.

Massachusetts

On the afternoon and evening of Monday, June 29, 1925, the Massachusetts certified public accountants entertained their families, friends and staff members with an outing at Pemberton. Sports, including tennis, quoits, clock golf, swimming and novelty races and tugs of war, were enjoyed throughout the afternoon. At six-thirty there was a chicken dinner, during and after which dancing was enjoyed.

The annual meeting of the Massachusetts Society of Certified Public Accountants, Inc., was held on May 25, 1925. The reports of the officers and of various committees were read. Various matters of business relative to the welfare of the Society and the accountancy profession of Massachusetts were discussed at the meeting.

The officers and members of the Executive Committee elected for the ensuing year are as follows: President, Stanley G. H. Fitch; Vice President, Frederick Bond Cherrington; Treasurer, Arthur T. Chase; Secretary, Charles F. Rittenhouse. The Executive Committee includes the above named and the following: C. Oliver Wellington, Elbridge A. Bollong and Edward, J. McDeavitt, Jr.

Michigan

The Michigan Association of Certified Public Accountants will celebrate the twentieth anniversary of the passage of the first Michigan C. P. A. Law on July 2, 1925, at the Hotel Statler, Detroit, Mich.

Special guests will include the holders of certificates granted during the first year of the C. P. A. Law and all present and past members of the State Board of Accountancy, which also includes all Governors since the passage of the first C. P. A. Law.

D. W. Springer, Secretary of the Michigan State Board of Accountancy and Chairman of the Legislative Committee of the American Society of Certified Public Accountants, who has been the sponsor of all progressive C. P. A. legislation in Michigan, will be present and will explain the features of the newly enacted C. P. A. Law of Michigan.

Missouri

The annual meeting of the Missouri Society of Certified Public Accountants was held in Kansas City on June 12, 1925.

A business meeting was held in the morning and golf and bridge were enjoyed during the afternoon, the meeting coming to a close in the evening with a banquet at the Kansas City Club. C. W. Alenderfer, of the First National Bank of Kansas City, addressed the meeting, having as his subject "Bankers Relations with the Accountant."

Officers elected were as follows: President, F. A. Wright, C. P. A., Kansas City, Mo.; First Vice

President, D. P. Peter, St. Louis, Mo.; Second Vice President, H. E. Lunsford, C. P. A., Kansas City, Mo.; Treasurer, E. W. Gottenstrater, C. P. A., St. Louis, Mo.; Secretary, T. C. Hansen, C. P. A., Kansas City, Mo.

Messrs. Wright, Lunsford and Hansen are members of the American Society of Certified Public Accountants.

The Kansas City Chapter of the Missouri Society of Certified Public Accountants, at its annual meeting in May, elected the following officers for the forthcoming year: President, Miller Bailey; First Vice President, O. R. Abel; Second Vice President, Francis R. Brodie; Secretary, W. E. Baird; Treasurer, Frederick S. Craig.

The St. Louis Chapter of the Missouri Society of Certified Public Accountants held its annual meeting on Monday, May 25, at which time the following officers were elected: President, D. B. Peters; Vice President, W. P. Scott, C. P. A.; Treasurer, William Mayors, C. P. A.; Secretary, A. W. Lange, C. P. A.

New Jersey

A special meeting of the Society of Certified Public Accountants of the State of New Jersey was held at the Down Town Club, Newark, on Tuesday evening, June 16, 1925. There were present about fifty members and the following guests: Homer S. Pace, C. P. A., President of the New York Society of Certified Public Accountants; P. W. R. Glover, C. P. A., Vice Chairman of the Committee on Legislation of the New York Society, and Harold Atkins, C. P. A., a member of the Committee on Legislation of the New York Society.

James F. Hughes, C. P. A., President of the Society, introduced the speakers.

The purpose of the meeting was to discuss the report of the Committee on Legislation of the New Jersey Society. Charles E. Mather, C. P. A., Chairman of this Committee, presided over an open

forum in which the following questions were discussed:

(1) Should uniform regulations as to auditors and their qualifications apply alike to Municipalities, Building and Loan Associations and ordinary Business Corporations?

(2) Municipal Accountants must be registered. Should all Public Accountants be registered?

(3) Should registration be limited to C. P. A.'s or should there be two registers, one for C. P. A.'s and one for Public Accountants?

(4) All Municipalities must be audited. Should all Corporations be audited?

(5) What would you include in the conception of Public Accounting that should be subject to regulation by Law?

(6) What addition, if any, is needed to the present C. P. A. Laws or other Laws which affect the practice of Public Accounting?

The New Jersey Society welcomes the views of the members of other state societies or any C. P. A. or any accountant in practice and would be pleased to have such views and suggestions mailed to its Secretary, Julius E. Flink, 31 Clinton Street, Newark, N. J.

North Carolina

The sixth annual spring convention of the North Carolina Association of Certified Public Accountants was held in Asheville on May 15, 16 and 17, 1925, with headquarters at Battery Park Hotel.

About a hundred accountants were present, including members of the South Carolina and Virginia Societies. A delightful program was arranged for the entertainment of the guests, including sightseeing trips over the magnificent drives in and around beautiful Asheville. A splendid banquet was held on Friday evening at which time Mr. Baxter Durham, State auditor, was one of the chief speakers. John E. Wilson, C. P. A., of Asheville, was toastmaster. Mayor John H. Cathey made the address

of welcome to which D. H. McCullough, C. P. A., of Charlotte, President of the North Carolina Association, responded. B. C. Wallace, Jr., C. P. A., Greenwood, S. C., President of the South Carolina Association of Certified Public Accountants, and T. J. Bagby, C. P. A., member of the Virginia Society of Public Accountants, were present and were introduced. George E. Wood, of Charlotte, Secretary of the North Carolina Association since its organization, made a short talk.

Oregon

The Oregon State Society of Certified Public Accountants at its annual meeting on June 8, 1925, elected the following officers and directors for the ensuing year: President, Arthur F. Jones, Corbett Building, Portland, Ore.; Vice President, Arch J. Tourtellotte, Title and Trust Building, Portland, Ore.; Secretary-Treasurer, A. R. Sawtell, Chamber of Commerce Building, Portland, Ore.; Directors, R. J. Leo, Pittock Block, Portland, Ore.; T. A. Rutherford, Railway Exchange Building, Portland, Ore.; A. C. Ellis, Northwestern Bank Building, Portland, Ore.; E. M. Wilson, Medford, Ore.

Pennsylvania

The annual meeting and banquet of the Pittsburgh Chapter of the Pennsylvania Institute of Certified Public Accountants was held on Monday evening, May 25, 1925, at the Pittsburgh Athletic Association.

Officers elected for the ensuing year are: Chairman, Otto G. Richter; Secretary, W. W. Colledge; Treasurer, E. A. Ford Barnes. Those elected to the Executive Committee are as follows: W. F. Marsh, John Watt, H. B. Scott, F. A. Willison, and J. E. Wilson.

During the day a number of out-of-town guests, among whom were members of the council of the Pennsylvania Institute of Certified Public Accountants of Philadelphia and members of the Pennsylvania

State Board of Examination of Public Accountants, were entertained at luncheon and golf at the Longue Vue Club.

Addresses were made by Mr. Alexander Wall, Secretary-Treasurer of the Robert Morris Associates, who spoke on "The Real Value of Uniform Statements"; by Rev. John Ray Ewers, Pastor of the East End Christian Church, who had as his subject, "Two Plus Two Equals Five"; and by Robert L. Wallace, member of the State Board for Examination of Public Accountants, who talked on "Worth While Ideals."

Tri-Society Meeting

The fourth annual joint meeting of the Washington Society of Certified Public Accountants, the Oregon State Society of Certified Public Accountants and the Institute of Chartered Accountants of British Columbia was held at Seattle on Friday, May 22, 1925, the Washington Society being host.

The members of the three Societies with their guests met at the Olympic Hotel at 8.30, and after a breakfast the entire party was driven to Volunteer Park, where a group photograph was taken. The golfing fraternity were then taken to Inglewood Country Club and reported a fine game—especially the Oregon men, they being the winners. The majority of the party, including the ladies, was driven to Snoqualmie Falls for luncheon.

At 6.45 a special dinner was served to the ladies in the main dining room of the Olympic Hotel with a banquet for the men in the Junior Ball Room. At the banquet Jas. M. McConahey, President of the Washington Society, presided. E. G. Shorrock, dean of the accountants of the Pacific Northwest, greeted the guests and spoke of the advancement of the profession. John P. Dawson, President of the Oregon Society, spoke of the necessity of close cooperation between accountants, especially in connection with new legislation. Mr. Giske, represent-

ing the President of the B. C. Society who was unable to attend on account of illness, spoke of the very cordial relations existing between the three Societies.

Arthur Berridge, of Portland, delivered a very masterful address on the spirit and attitude of the accountant, his subject being "Whatsoever ye would that men do unto you, do ye even so unto them."

After the banquet the entire party met in the Marine Room of the Hotel where they enjoyed dancing to the excellent music of Eddie Harkness and his wonderful dance orchestra.

The delightfulness of this occasion created pleasant anticipation of the meeting to be held in Portland next year with the Oregon Society as host.

Virginia

The Virginia Society held its Semi-annual Meeting at the Hotel Richmond, Richmond, Va., on May 30, 1925, with about thirty-six members present.

The chief business of the meeting was the appointment of a committee to make plans and take whatever action is appropriate for the entertainment of the visiting members of the American Society of Certified Public Accountants in September when their annual meeting will be held in Richmond. W. L. Elkins, C. P. A., President of the Virginia Society, appointed the following committee: A. M. Pullen, C. P. A., Chairman; C. S. Goldston, C. P. A., and T. Coleman Andrews, C. P. A., of Richmond, Fred B. Hill, C. P. A., and A. Lee Rawlings, C. P. A., of Norfolk, and A. T. Henderson, C. P. A., of Lynchburg.

CERTIFIED PUBLIC ACCOUNTANT

(N. Y.-N. J.)—Gentile desires to form a partnership with a high grade C. P. A. for the purpose of expansion. Philadelphia or Metropolitan district preferred, but not essential, providing right connections can be made. Address Box 116, The Certified Public Accountant.

MEMBERSHIP OF THE AMERICAN SOCIETY

(Continued from our June issue)

(Members recorded from May 25th to June 27, inclusive.)

James Grant, Century Building, Pittsburgh, Pa.

Benjamin Lane Lathrop, 322 Real Estate Building, Scranton, Pa.

Joseph A. Peters, 1203 Fidelity Bank Building, Memphis, Tenn.

Lyle W. Hines, 824 Merchants Bank Building, St. Paul, Minn.

Meyer Parmet, 949 Broadway, New York City.

Earle E. Hesse, 38 South Dearborn Street, Room 1305, Chicago, Ill.

Fred M. Ward, 403 23rd Avenue, Milwaukee, Wis.

Hugh Norman Smith, 111 West Monroe Street, Chicago, Ill.

Matthew Harvey Barnes, 10 South La Salle Street, Room 1130, Chicago, Ill.

Leslie D. Knowlton, 811 Fourteenth Street, San Francisco, Calif.

W. Wallace Gibson, 342 Madison Avenue, New York City.

Henry N. Holdsworth, Johnson County Bank Building, Iowa City, Iowa.

John Herbert Hedley, 5421 Michigan Avenue, Chicago, Ill.

O. C. Mettert, 707 First National Bank Building, Fort Wayne, Ind.

Ernest Crowther, 1311-13 First National Bank Building, Pittsburgh, Pa.

David Jackson Anderson, 4830 Barry Avenue, Chicago, Ill.

Joseph Guilford Terry, 615, 30 North La Salle Street, Chicago, Ill.

Everett Lyewellyn Noetzel, 2520 Avenue N, Brooklyn, N. Y.

Theodore J. Feiveson, 545 North Michigan Avenue, Chicago, Ill.

John Edwin Wilson, 1227 Pemberton Street, N. S., Pittsburgh, Pa.

Edward L. Gelder, 1534 Waverly Street, Houston, Tex.

Cecil C. Hastings, 111 West Boulevard, El Paso, Tex.

Stanley D. Tilney, 108 South La Salle Street, Chicago, Ill.

Daniel James Teare, 1106 Hayes Avenue, Oak Park, Ill.

Harry E. Van Benschoten, 225 Fifth Avenue, New York City.

Davis H. Shapiro, 1813 Champlost Avenue, Philadelphia, Pa.

Reinhardt G. Jahn, 11939 Yale Avenue, Chicago, Ill.

Raymond Edward North, Halethorpe, Md.

J. Ostle Sears, 127 Appleton Street, Cambridge, Mass.

Morris W. Goldberg, 110 West Fortieth Street, New York City.

J. Angus Steven, 7 South Dearborn Street, Chicago, Ill.

Herman Conrad John Peisch, 716 McKnight Building, Minneapolis, Minn.

D. G. Sisterson, 1039 Peermont Avenue, Dormont, Pa.

A. J. Herriger, 3 Belmont Avenue, Newark, N. J.

Warren H. Keller, 623 Marquette Building, Chicago, Ill.

Edgar Raymond Scherich, 886 Shrine Building, Memphis, Tenn.

James F. Hughes, 110 William Street, New York City.

Joseph Frank Petgen, 1313 First National Bank Building, Pittsburgh, Pa.

Harry A. Williams, 1101 Keenan Building, Pittsburgh, Pa.

Manning L. Norland, 632 Berkeley Road, Indianapolis, Ind.

Paul H. Cronk, 1014 Prairie Avenue, Des Plaines, Ill.

William C. Canning, 18 Tremont Street, Boston, Mass.

Emma Manns, 1010 Foster Building, Denver, Colo.

Philip A. Klapman, 1058 North Spaulding Avenue, Chicago, Ill.

Frank P. Stratford, P. O. Box 1716, Richmond, Va.

Walter J. Nichols, 149 Broadway, New York City.

Leslie J. Resseguie, 2-228 General Motors Bldg., Detroit, Mich.

Herbert Beck, 105 South La Salle Street, Chicago, Ill.

George DeWitt Bender, 530-1 Peoples Bank Bldg., Seattle, Wash.

Earle H. LeMasters, 915-16 First National Bank Building, Huntington, W. Va.

John Victor McGovern, 3317 Clarence Avenue, Berwyn, Ill.

Raymond Joseph Burby, 618 Pacific Fin. Bldg., Los Angeles, Calif.

Robert Bruce Lauder, 21-23 Chenango Street, Binghamton, N. Y.

Bruce C. Hightower, 30 South Fifth Street, Minneapolis, Minn.

Hyman Charles Baylis, 1270 Broadway, New York City.

Willis Elwood Lewis, 1202 Sweetland Building, Cleveland, Ohio.

Edward T. Perine, 149 Broadway, New York City.

Max Lichtendorf, 765 Broadway, Brooklyn, N. Y.

George Parker, 308-9-10 Southern Surety Building, Des Moines, Iowa.

Joseph H. Van Dorn, 504 Land Title Building, Philadelphia, Pa.

Wm. Reuben Lefferts, 504 Land Title Building, Philadelphia, Pa.

Abraham J. Krasner, 1440 Broadway, New York, N. Y.

Norman E. Webster, 60 Broadway, New York, N. Y.

L. A. Williams, Greenwood, Miss.

William R. Greenway, 29 Broadway, New York, N. Y.

Nathaniel Pomerance, 320 Broadway, New York, N. Y.

Hugh Lee Dickerson, State and City Building, Richmond, Va.

Orrin R. Judd, 60 Broadway, New York, N. Y.

John F. D. Rohrbach, 233 Broadway, New York, N. Y.

Allan Semple, 40 Wall Street, New York, N. Y.

Allan Muddiman, Rm. 901, 815 15th Street, Washington, D. C.

Oscar I. Koke, 1001 Fidelity Mortgage Bldg., Cleveland, Ohio.

James E. Sannorn, 4423 Greenview Avenue, Chicago, Ill.

C. David Tribbey, 916 Tradesmens National Bank Building, Oklahoma City, Okla.

Joseph Sandler, 358 Fifth Avenue, New York, N. Y.

Robert Siegel, 291 Broadway, New York, N. Y.

J. H. Grabow, Colorado Building, Denver, Colo.

William Hunter Eadie, 13-15 Fuller Bldg., San Bernardino, Calif.

G. Arthur Jackson, 31 Exchange Street, Rochester, N. Y.

(To be continued.)

PERSONALS

Joel Hunter, C. P. A., of Atlanta, Ga., has been elected chairman of the commission on public schools of the board of education of Atlanta.

The Daily Enterprise (Burlington, N. J.) for Thursday, May 7, 1925, carried a strong article of appreciation of the services of J. Milton Baker who has been connected with the city for four or five years in a financial advisory capacity. The article says in part: "How many people know that the city of Burlington has an official who might be called the thirteenth member of Common Council, and that the thirteenth member is one of the most important factors in the conduct of the town's affairs?"

"The official is J. Milton Baker, of York Street. His title in his association with the city is accountant, but the title does not adequately tell the story. He is more than an accountant; he is the watchdog of the treasury, the man behind the guns, the safety valve that keeps the financial boiler from exploding."

Mr. Baker is a charter member of the American Society of Certified Public Accountants, holding membership certificate No. 392.

The following item is taken from a newspaper of Middletown, Conn., under date of June 24, 1925:

"Former Councilman Guy Cambria, speaking to-day at the luncheon of the City Club at the Arrigoni Hotel on "City Finances" urged a better system of accounting of city affairs. He also urged that a city controller be appointed to look after the city finances."

Mr. Cambria who is a member of The American Society, was instrumental in having a bill passed through the State Legislature whereby the post of City Auditor, must come from the ranks of Certified Public Accountants.

H. H. Wilson, C. P. A., of Washington, D. C., is now connected

with the Institute for Government Research, 26 Jackson Place, Washington, D. C.

Charles F. Rittenhouse, C. P. A., of Boston, was one of the speakers at a joint conference of the Ohio Society of Certified Public Accountants and the students and faculty of the College of Commerce of Ohio State University held at Columbus, Ohio, on June 4, 1925.

Mr. Chester A. Gwinn, formerly an attorney in the office of the Solicitor of Internal Revenue at Washington, D. C., is now associated with Humphreys & Day, 42 Broadway, New York City.

Howard C. Beck, C. P. A., and member of the American Society of Certified Public Accountants, issued the annual statement as General Auditor of the Chamber of Commerce of the United States of America, on April 30, 1925.

Henry P. Seidemann, C. P. A., connected with the Institute of Government Research, Washington, D. C., has just returned to this country after having spent ten months in the Territory of Hawaii, where he was called to assist the Territorial Government in reorganizing their administrative procedure and especially in the preparation of a budget and accounting system.

Mr. Seidemann's long experience in governmental accounting systems made him especially suited for such an undertaking. He has been connected with the Institute for Government Research since its organization and has done much constructive work along this line. It was in connection with his work on the Dawes Budget Plan that Mr. Seidemann's services were requested by the Territorial Government of Hawaii.

"The Territory of Hawaii Budget," which was formulated and prepared under the direction of Mr. Seidemann, was submitted to the Legislature of the Territory of

Hawaii by Governor Wallace R. Farrington on February 24, 1925. This is a most comprehensive work in two parts. Part I contains financial and statistical statements and Part II presents the estimates of appropriations, classified by funds and organization units. A clear distinction is made between "expenditures" and "appropriations."

Do you remember
DETROIT?
Then think of
RICHMOND!

C.P.A. Examinations Review

The next examinations for the State of New Jersey and for admission to the American Institute of Accountants will be held in November, 1925.

The lectures in preparation for these examinations will be given daily (Monday to Friday, inclusive) at the Engineering Building, 25-33 West Thirty-ninth Street, New York City, commencing

**MONDAY
SEPTEMBER 21, 1925**

Preparation for these examinations and for those of other States may be obtained by

CORRESPONDENCE

covering a period of sixteen weeks.

Complete information may be obtained by applying to

C. P. A. EXAMINATIONS REVIEW

Fisk Building
Broadway at Fifty-seventh Street
New York City

C. P. A. EXAMINATIONS REVIEW

Conducted by
HENRY L. SEIDMAN
B. C. S., LL. B., C. P. A. (N. Y.)
and
JACOB BENNETT
B. C. S., C. P. A. (N. Y.)

The Washington Hotel

WASHINGTON, D. C.

Pennsylvania Avenue opposite
United States Treasury

Every Room with Bath, Tub, and
Shower

HEADQUARTERS
Certified Public Accountants

S. E. Bonneville, Manager.

I. T. I.



I. T. I.

The only full INDEX to every official authority on federal income taxes—locates *instantly* Laws, Regulations, Rulings, T. D.'s, Court Cases, and Decisions of Board of Tax Appeals.

Small initial cost—nominal for upkeep.

Income Tax Index Service, Inc.
9-15 Clinton St.
Newark, New Jersey.

STANDARD APPRAISALS

Made by Qualified Experts in all lines

Correspondence Invited.

Standard Appraisal Company
90 John Street, New York
Branches, All Principal Cities.

Headquarters

FOR

Income Tax Legal Publications

We extend a cordial invitation to all Certified Public Accountants to use our stock of books as part of their library while in the city of Washington.

A few of our useful publications are:

Holmes' Federal Income Taxes, 6th edition, 1925.....	\$15.00
Barton & Browning's Federal Income and Estate Tax Laws, Correlated and Annotated, 2d ed., 1925	10.00
Jones' Law of Evidence in Civil Cases, 3d ed., 1924.....	10.00
Brumbaugh's Legal Reasoning and Briefing	5.00

Write for quotations on any books you may need to complete your library.

JOHN BYRNE & COMPANY

Law Publishers and Importers
715 14th St. N. W. Washington, D. C.
One block from U. S. Treasury Building

In answering Advertisement please mention
The Certified Public Accountant

THE POST-GRADUATE SCHOOL OF ACCOUNTANCY

Founded in 1912

OFFERS

Resident Course in preparation for the New York State C. P. A. examination of January, 1926; this course will begin on Monday, September 28, 1925, and extend to January 20, 1926. There will be three evening sessions of three hours each per week.

Correspondence Course in preparation for the November, 1925, examination begins at your convenience, but should preferably be started on or about July 15, 1925.

Apply for Descriptive Pamphlet,
terms, etc., to

Paul-Joseph Esquerre, C. P. A.

20 Vesey Street, New York City.
Tel. Whitehall 6616.

A New Edition of

THE ACCOUNTANTS' DIRECTORY

and WHO'S WHO

enlarged, improved and completely revised has been published. The co-operation of the publishers, the former editor, and THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS presages a publication of distinction and value.

In this volume the names and addresses of all practising accountants in the United States and Canada are given—approximately 10,000 names. A special "Who's Who" Section gives the biographical sketches of the prominent members of the profession.

An effort is made to provide every requisite of a reference book and a comprehensive and thorough arrangement of data. An authentic and accurate record of every certified public accountant has been compiled, to help check the persistent activities of those who devise means of appearing to be legally certified accountants, without any right to the distinction.

The various sections of the book may be briefly outlined as follows:

1. Geographical list giving the names and addresses of accounting firms and companies with their branch offices, individual practising accountants, cost accountants, professors of accounting, and authors of works on accounting.
2. An arrangement, alphabetically by states, showing to whom and in what numerical order C. P. A. degrees have been issued.
3. An alphabetical index of every name appearing in this volume, indicating all C. P. A.'s.
4. "Who's Who" section—biographical sketches of all who are believed to be representative of the highest standards of the profession.
5. An appendix containing a bibliography, officers of State Boards and State and National Societies, and miscellaneous information.

Membership in the American Society of Certified Public Accountants, The American Institute of Accountants, and the National Association of Cost Accountants is indicated throughout.

\$10.⁰⁰ Per Copy

Orders may be placed with

PRENTICE-HALL, Inc.
70 Fifth Avenue, New York City

**The American Society of
Certified Public Accountants**
Woodward Bldg., Washington, D. C.

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 2

AUGUST, 1925

20 CENTS THE COPY
\$2.00 PER YEAR

True glory consists in doing
what deserves to be written;
in writing what deserves to
be read, and in so living as to
make the world happier and
better for our living in it.

—*Pliny.*

DEVOTED TO THE INTERESTS OF THE C. P. A., HIS CLIENT, AND THE PUBLIC WELFARE

BOUND VOLUMES

OF

THE CERTIFIED PUBLIC ACCOUNTANT

WITH COMPLETE INDEX

No. 2—Year 1923	\$5
No. 3—Year 1924	\$5
No. 4—January to June, 1925	\$3

THE CERTIFIED PUBLIC ACCOUNTANT

736 Woodward Building - - - - - Washington, D. C.

The Certified Public Accountant

The Official Organ of the

AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Will Accept a Limited Amount of High-Grade
ADVERTISING MATTER

Statement of Circulation and Advertising
Rates will be furnished on application

THE CERTIFIED PUBLIC ACCOUNTANT

736 Woodward Building - - - - - Washington, D. C.

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 2

AUGUST, 1925

20 CENTS THE COPY
\$2.00 PER YEAR



THE Fourth Annual Convention of the American Society of Certified Public Accountants will be held in Richmond, Virginia, on September 10 and 11.

like to see this first meeting in that territory the greatest meeting that has ever been held.

Hoping to see you there, I am

Yours very sincerely,

EDWIN L. PRIDE, President.

This organization was founded for the promotion of the interests of the certified public accountant profession, and therefore the invitation to attend the Convention is to every certified public accountant whether he is a member of the Society or not.

The Convention is being held at a point that is very accessible, especially to all the eastern and southern certified public accountants. The Convention City is so near Washington, being only three hours away, that it will be possible to combine business at the Departments with a trip to the Convention.

Few cities in the United States lend themselves to a Convention so easily as Richmond—the charm of the surroundings and the hospitality of its people insure a most enjoyable time to all who attend.

So far as I am informed, this is the first time a national convention of accountants has been held south of the Potomac River, and I would

CONTENTS

	Page.
Editorials:	
“Dividends,” by Frank Wilbur Main	30
“Caveat Emptor,” by Frank Wilbur Main	30
“Liability of Auditors,” by Alexander S. Banks	31
“A New Experiment,” by D. W. Springer	32
Richmond, Virginia’s Beautiful Capital City	33
Announcements	36
C. P. A. Examination Questions—North Carolina (June, 1925)	37
Michigan’s New Accountancy Law (text)	41
“Liability of ‘Accounts Stated,’ ” by F. B. Perrigo	45
U. S. Chamber of Commerce and Taxation	46
Illinois’ New Accountancy Law (text)	47
“Analysis, Discussion and Solution, Problem No. 10 of Accountancy Paper; N. C. C. P. A. Examination, June, 1925,” by J. B. Tanner ..	49
Preliminary Program of Annual Meeting	51
“Employee Good-Will In the Balance Sheet” (Policyholders’ Service Bureau, Metropolitan Life Insurance Co.)	52
State Society News	53
Personals	53, 55
In Memoriam	53
State Board News	54
Visitors	54
“Accounting Principles Underlying Accounts Receivable Sold or As- signed to Finance Companies,” by Simon Tipperman	55
Membership in the American Society (list continued)	56

THE CERTIFIED PUBLIC ACCOUNTANT

The Official Organ of
The American Society of Certified Public Accountants

Published by The American Society of Certified Public Accountants, Woodward Building, Washington, D. C.

Editor: **WILBUR L. HARRISON**
Business Manager: **F. S. CHAPPELL**

Subscription price per year of twelve issues, \$2.00; twenty cents the copy.

All communications should be addressed to the Editor.

Printed by the Terminal Press, Inc., 923 Eleventh Street N. W., Washington, D. C.

DIVIDENDS

THE laws of many, if not all of our States, provide for the organization of two classes of corporations—in most States those of the second class cover the ordinary incorporated commercial company organized for monetary or financial profit—and those of the first class—companies organized for philanthropic, educational and religious purposes.

The second class corporation, if successful, pays dividends in the minted coinage of the country—the first class corporation, if successful, pays dividends by the alleviation of suffering, by better health conditions, and by improved sanitation, increased knowledge, an appreciation of the arts, a higher moral tone, and the development of self-sacrifice and disinterested service. Rightfully the first corporation is designated as of the second class, the latter as of the first class.

The most unique corporation of the first class, though not usually so designated (incorporated through the marriage license bureau), is the family corporation. The father is the president, and the mother is the treasurer. Unlike treasurers of corporations of the second class, she always pays out in dividends more than she receives. Not only yearly, quarterly, and monthly, but daily and even hourly she is disbursing dividends in the coinage of her corporation, viz, love and affection to each and every member of the said corporation, however worthy or unworthy said members may be. There is also always a surplus sufficient to include the friends and often the acquaintances of said members. Like the widow's cruse of oil in the days of Elijah, the supply of these dividends seems inexhaustible.

Corporations of the second class are often perverted and selfishly mismanaged, with resulting failure to return dividends. Likewise corporations of the first class. Instead of being a means, they become an end. Instead of serving, they ask service. Instead of being helpful, they ask subservience through all manner of restrictions and prohibitions. What was said by the Great Teacher of the established church of His day,

has been often equally true not only of religious organizations but of associations organized for other purposes. "For they bind heavy burdens and grievous to be borne, and lay them on men's shoulders." Such corporations, even though organized as first class, can pay no large dividends.

What of the American Society of Certified Public Accountants? Is it a second class organization, organized for the selfish profit of its members? We hope not, yet many Certified Public Accountants have declined to join the American Society because unable to see any sufficient financial dividends, which would accrue therefrom. Time and time again the actual financial advantages accruing to the profession, and to its individual members, through the American Society, have been explained. Time and time again they will continue to be explained. And yet is this the basis on which we should seek membership?

Certainly these are not the dividends which the founder and first president of the American Society has been seeking, and he has given more in energy, in time, and yes, even in money, to promote its welfare, than any other member. Certainly these are also not the dividends sought by the large number of unselfish certified public accountants scattered throughout the entire country who have served it without thought of reward or even recognition.

What dividends should then be expected? Among others, the dividends of higher ideals and a greater passion for service, expressed in a practical effort to assist rather than to handicap, to encourage and not to discourage, and to share helpful experience with, and not to hold back important knowledge from, the younger and so less experienced members of our profession.

Fortunately for our profession, our Society has no monopoly in the payment of these dividends, and it is the earnest hope of the leaders of our Society, that the other professional accounting organizations—national, state and local—may not only equal, but may excel us in the disbursement of such dividends.

FRANK WILBUR MAIN.

CAVEAT EMPTOR

GIVEN a legal translation "Caveat Emptor" means, "let the buyer beware." It was, and still is, in some cases a good defense to a suit by a dissatisfied purchaser.

Some of us may well argue that if a man goes to a market place to buy a horse and price alone governs his selection, he is no different than the client who selects an accountant solely on a low bid basis. That in each case the seller of the horse and the seller of the accounting services can if ever necessary rightfully and honestly plead "Caveat Emptor."

Yet on close analysis we find this is not true. The man who buys the horse can inspect it before he pays,

he can look at its teeth, feet, etc., he can call in an expert to look the animal over, and if he neglects then to protect his money then it may be just to let him "beware." Not so with the services of an accountant—what the client in the main really pays for is something he never sees and as to which he must rely on the honesty of the one who takes his money. Foolish he may be if he insists on letting out his work on a competitive low bid basis—but the true C. P. A. will either try to educate him into paying a fair price or leave him to that, few but always at hand, class of public accountants, who will deal with him on the same basis as a horse trader.

The reasoning back of the rule of "Caveat Emptor" is still followed in some parts of the business world. The writer has just returned from an European trip. In England and Scotland, while the prices are high, the natives still try to deal honestly with you. On the continent, however, due to the war and depreciated currency, the American tourist is now seemingly looked upon in certain countries as not having any particular rights that he does not assert and even then they are sometimes disputed and he is almost always a buyer who must "beware." When the easy gravy of such meat has been consumed and new markets must be sought, what then? When these tourists in their home lands are asked to invest in the bonds of these foreign countries, what then? Neither an individual nor a nation can long retain trade (easy tourist or otherwise) in competition with others without cultivating the good will of the buyers. The opportunist may harvest some easy money, but he soon disappears and is forgotten.

Does this editorial have anything to do with any present day accounting practices? Think it over.

FRANK WILBUR MAIN.

LIABILITY OF AUDITORS

THE subject of the responsibilities of auditors has been much discussed lately in "THE ACCOUNTANT," a leading weekly publication for Chartered Accountants. In some recent editorial comment on this topic, "THE ACCOUNTANT" says:

An auditor is an independent person appointed by the shareholders to carry out the duties laid upon him by the Companies (Consolidation) Act, 1908. In the fulfillment of these duties he is required to use reasonable care and skill and is entitled to assume, in the absence of suspicion, the honesty of directors and officials. He is not a valuer or an insurer. He takes no part in directing policy or management. He has no legal duty or responsibility towards creditors or prospective share holders. His sole duty is to report to the shareholders as a body on the Balance Sheet as submitted to them by the directors.

The auditor is confronted with many difficult problems and the character of his decisions on many points must be shaped, in considerable degree, by the extent of his reliance upon the judgments and representations of the officers and directors of a company. This does not mean, of course, that an audit shall be

a perfunctory matter—a mere reflection of the views or dicta of officers and boards of management. Neither does it mean, on the other hand, that the auditor shall regard with suspicion every act or statement of the directing heads of a business.

The helpfulness of accounting firms could be greatly increased, and embarrassing situations could often be avoided, in the opinion of the writer, if a general practice were made of inviting auditors to attend the meetings of boards of directors when accounting problems are to be discussed. Such a practice would afford the auditor first-hand information concerning the origin, spirit and intent of proposed actions by the board. It would also enable him to present, orally, and without delay, any objections to a proposed plan of action which might be immediately apparent to the mind of a trained accountant. The results of such discussions should, of course, be reduced later to the form of written memoranda; but it can scarcely be doubted that advance, verbal interchanges of ideas would pave the way for more comprehensive and more illuminating auditors' reports. It is not possible to make a satisfactory audit of the affairs of a company merely by an examination of the records, for entries themselves are inadequate to permit the auditor to form a sound judgment. Even the minute book of a corporation, on which the auditor so often depends, is in so many cases not very clear, except in matters of a very routine nature.

The auditor's qualifications and experience do not extend to many matters on which he must, nevertheless, pass an opinion. As to these matters the directors of a company are in a better position to give an authoritative opinion. For example, matters as to valuations of inventories and the fixed properties. It would be well if the auditor's certificate could state that his report as to these is based on the opinion of the board of directors. Otherwise, it is feared, auditors are assuming a responsibility which must eventually subject the accounting profession to well merited criticism by the public. Every accountant understands the limitations under which he and his professional brethren must perform his work, but the general public does not understand these limitations. In order that the auditor may avoid assuming risks involving his professional reputation he should be careful to undertake auditing work only for concerns, the management of which is of unblemished reputation, for, as above stated, he must in the last analysis depend on the views and representations of this management. Where, having undertaken the audit, he is not furnished all the information he calls for or if he is suspicious as to the honesty of the management the auditor must qualify his report so as properly to limit his responsibility and avoid having his report misconstrued by any third party. After all, in the auditor's work there are three parties concerned—the auditor, the client and the general public.

ALEXANDER S. BANKS.

A NEW EXPERIMENT

THE last state to pass an accountancy law is Illinois, which law is less than a month old.

The old Illinois law provided for the granting of C. P. A. certificates by the University of Illinois to those persons who had passed the examination provided and who had met the requirements of the law. The law itself provided for a high school education or its equivalent, but did not contain a practical public accounting experience provision. The law also provided that the holder of a C. P. A. certificate issued by another state might practice in Illinois as a certified public accountant without registering with the Illinois Board.

The public accountants of Illinois were not united under the old conditions and it is probable that they will not be united under the conditions which the new law will produce.

When the last legislative session opened there was considerable discussion as to what amendments should be made to the accounting law. A bill was introduced that brought about very decided opposition on two points. One provision of the bill was that while the University should issue the certificates they might be revoked by the State Board. To this provision the University very properly objected, saying that whatever body issued the certificates should also revoke the certificates, and they would not do one without doing the other.

The bill also gave the certified public accountants and their employees the immunity of privileged communications, but did not provide that the uncertified public accountants should enjoy the same rights. This provoked the opposition of the uncertified men. Of course, as a matter of fact, the only excuse for the privileged communication clause is to protect the public against having information secured by one accountant passed on to someone else. It is a privilege therefore for the public rather than for the accountant, and the public who employ an uncertified man are entitled to the same protection as the public who employ a certified man. The result of this general dissatisfaction was that the Bailey bill was killed and at a later date what is known as the Brown bill was passed and became a law without the Governor's signature, due to lapse of time.

The new law removes the operation of the accounting control from the University of Illinois to the Department of Registration and Education. This department was established by law in 1917 and took over the rights, powers and duties which had been heretofore vested in the State Board of Education of Illinois. The Boards of Trustees of the various Normal Schools and the Boards of Veterinary Examiners, Examiners of Horseshoers, Examiners of Architects, Examiners of Structural Engineers, Examiners of Medical Practitioners, Embalmers and Midwives, Ex-

aminers of Pharmacists, Examiners of Dentists, Examiners of Registered Nurses, Examiners of Optometrists, and Examiners of Barbers. Various other duties were given to it, but they are not involved in the problem before us.

The law provides that the Department of Registration and Education shall appoint persons from the respective professions, trades or occupations covered to prepare reports suggesting rules by which the several professions, trades or occupations should be governed and controlled. The provision added at this time relating to accountants is as follows: "For the public accountants and certified public accountants, one public accountant, one certified public accountant and one lawyer, each of whom is a citizen and resident of this state and each of whom has been actively engaged in the practice of public accountancy or of law for at least five years next preceding his appointment."

The law further provides that examinations shall be given on the usual subjects, but it is provided that the title by which a person passing said examination and securing a certificate as the result thereof shall be known is "Public Accountant."

The law recognizes as certified public accountants all who have heretofore received certificates as such granted by the State of Illinois and also provides that the Department of Registration and Education may recognize a similar certificate issued by another state or political subdivision of the United States, provided that the applicant satisfies the Department as to his qualifications.

The effect of the new law then is to establish two legal terminologies in Illinois, certified public accountant and public accountant, but provides that hereafter residents of Illinois may only obtain the C. P. A. certificate by going into another state and securing it and then obtaining its recognition from the Department of Registration and Education. This would mean a continuation of the same condition concerning which complaint has been previously made unless the Department ruled that they would not recognize any C. P. A. certificates thus obtained. So far as Illinois is concerned, the new legislation would seem to place the Illinois public accountant at a disadvantage if at any time he desired to remove to another state. If in Illinois he has secured a certificate as a "public accountant" and Illinois is the only state that has thus far at least made it the permanent final title, his certificate would hardly be recognized in another state where "certified public accountant" was the legal nomenclature toward which the state was working. Those who sponsored the present legislation point to the fact that the terms lawyer, doctor, dentist and other terms standing for professions do not have a qualifying prefix and that therefore the public accountant does not need the qualifying word "certified." This statement, had it been made prior to the passage of C. P. A.

(Continued on page 56.)

Richmond, Virginia's Beautiful Capital City

MEMBERS of the American Society of Certified Public Accountants who attend this year's convention at Richmond, Virginia, will find the capital city of the Old Dominion a most accessible city and one which can be reached either by rail, water or highway after pleasant trips of interest and

charm. Located on James River at the head of Tidewater, the city enjoys almost unlimited industrial power before the waters swell the tidal currents that afford direct water communication with the sea. Richmond's founders also established the city in the neck of a geographical bottle through which practically all Seaboard traffic, North and South, and much of the East-West traffic, naturally would pass. This accounts in some

measure for the fact that six trunk-line railways center there and that several lines of steamers have it as a terminus. In addition, the convention city is the hub of Virginia's rapidly expanding system of improved highways, which place it three hours from the mountains and two hours from the sea, by motor.

Power, supplied by James River and the city's proximity to the vast coal fields of surrounding counties,

western Virginia and West Virginia, together with transportation advantages, a 97 per cent native American population, cheap tax rate and the progressive efforts of its people have enabled Richmond to become a leading industrial, commercial and financial center, which, being located where the

eight square miles, it has a metropolitan population of 220,000 and is growing at the rate of 3.45 per cent annually. The value of its manufactured articles, which are sold regularly throughout the world, totals \$250,000,000; its jobbing business totals \$240,000,000; building operations have averaged



VIRGINIA STATE CAPITOL AT RICHMOND.

Northern and Southern sections unite, reaps benefits from each. Remarkable as it may appear, the city's present commanding position has been attained within the lifetime of many now living, for it was destroyed completely when evacuated in 1865.

Richmond today is a very modern city in the life of which there is a perfect blending of the spirit, ideals and culture of the old South. Spread over approximately twenty-

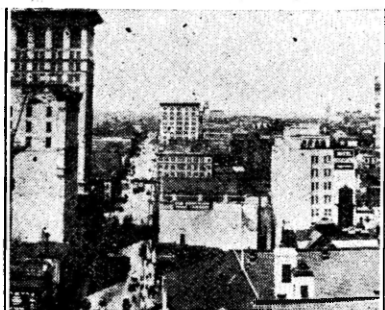
\$14,000,000 annually during the last five years; its clearings approximate \$3,000,000,000 annually, and its banks have deposits of \$127,284,000, with assets of \$165,812,850.

While the manufacture of tobacco comprises the chief industry, 500,000,000 cigars and 40,000,000,000 cigarettes being a part of its annual tobacco production, Richmond also is a large manufacturing center for iron and steel, wood-

enware, paper, food products, fertilizers, printing and publishing, and other enterprises. In a jobbing and financial way, it serves a large portion of the Southeast.

But while these, in a general way, are facts interesting to convention visitors, most delegates center their attention upon the beauties of the city and the ago-old places so closely associated with historical events and the lives of notable men who played mammoth parts in national and Southern history while residing in Richmond. With headquarters at the Jefferson Hotel, famed for its unique beauty, service and special convention facilities, delegates are located admirably for convenient sight-seeing and there, through personal contact, come to know the full meaning of Southern hospitality.

The beautiful Second Baptist Church faces upon Franklin Street just to the east of the Jefferson and upon these blocks also will be



The central business district of Richmond.

seen several of the splendid mansions so indicative of the old South. At Third Street a turn should be made South toward the river, passing at Third and Main Streets, the site of the Captain Sallie Tompkins Hospital. She maintained this refuge for Confederate soldiers

between 1861 and 1865 at her own expense, accepting a captaincy but refusing the salary.

At the lower end of Third Street will be found Gamble's Hill Park where an excellent view of the upper river will be obtained. Upon the edge of the bluff stands the cross which marks the location of the original American poster, set

up by Captain John Smith, who, in claiming the site for England, designated it as "None Such." Just behind it, near Fourth Street, is Pratt's castle, privately owned but unique in its architecture and grimly suggestive of the secret passages and dungeons that it contains. Belle Isle, a Confederate prison, and the Tredegar Confederate arsenal also

can be seen from this park.

Edgar Allen Poe's old home was at Fifth and Main Streets, on the return northward toward Grace Street. This section now is being developed as an exclusive retail shopping district and Grace Street can be followed with interest Eastward toward the Capital Square. The Westmoreland Club, in which scores of famous Virginians have held membership, is at Sixth; the Y. M. C. A. at Seventh; old St. Peter's Cathedral and Murphy's Hotel at Eighth; historic and beautiful St. Paul's Episcopal Church where Jefferson Davis and General Lee worshipped and now known for its memorial windows, and the Richmond Hotel at Ninth; across the end of which is the entrance

to the Capitol Square. The imposing equestrian statue of Washington faces the entrance with the Governor's mansion showing in the distance straight ahead. The Capitol Building, containing Houdon's statue of Washington and interesting relics, is to the right and directly back of it is the State Library. A number of statues add



Westover, one of the oldest and handsomest mansions on James River near Richmond and the ancestral home of the Byrds who founded Richmond.

to the beauty of the spreading tree-shadowed sward. The Fifth Federal Reserve Bank faces the square at Franklin and Ninth Streets and just a block away on the former street is the old home of General Robert E. Lee, now housing the Virginia Historical Society. Rueger's Hotel, the Post Office and Federal Building front upon the square from the South.

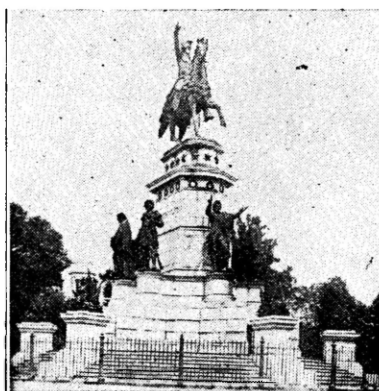
Facing it on the North are the home offices of the Life Insurance Company of Virginia and the City Hall.

Following Broad Street to Thirteenth, the visitor reaches Monumental Church where a tomb in the entrance contains the ashes of sixty-

five representative Virginians, including the governor, who were burned in a theatre fire on the site in 1811. The theatre in which Virginia ratified the Constitution also stood here. Just below it is the First African Church, erected in 1780. Virginia conventions of 1829



Houdon's statue of Washington, considered "the most valuable piece of marble in this country."



Crawford's equestrian statue of Washington in Capitol Square.

and 1830 as well as the 1865 meeting after the failure of the Fort-ress Monroe peace conference were held in the original building.

Continuing north a block and then turning westward, the old



Old church tower at Jamestown Island, first permanent English settlement in America.

Medical College of Virginia is reached, said to be the most perfect example of Egyptian architecture in America and a building of beauty. From it the once White House of the Confederacy, at Twelfth and Clay Streets, can be reached. It is now the Confederate Museum and contains the South's most valuable collections of war relics. The new Medical College is opposite. At Eleventh and Clay Streets is the museum of E. V. Valentine, the eminent sculptor, a building constructed in 1812 and famous for its spiral stairway, Florentine mantels, solid mahogany doors and carved balustrade. The original cast of the recumbent statue of General R. E. Lee is here.

Chief Justice John Marshall's home is at Ninth and Marshall Streets, the Howitzer's Armory is at 616 N. Eighth, that of the First Virginia Regiment at Seventh and Marshall Streets and the Richmond Blues' Armory at Sixth and Marshall Streets, just across from one of the large city markets.

Returning Southward, the heart of the retail shopping district is

reached on Broad Street. Grace Street is one block South, and, at 210 East Grace, is the house in which General J. E. B. Stuart died. It is a step from here back to the Jefferson Hotel.

In the west end of Richmond, convention delegates will find the handsomest of the modern residences and the most beautiful streets. On West Franklin, which continues to Lombardy where it becomes Monument Avenue, will be found the Commonwealth Club and scores of magnificent homes, churches and apartment houses. At Laurel, and one block south, is Park Avenue and the Sacred Heart Cathedral, an imposing gift of Thomas Fortune Ryan, while at Harrison and Park Avenue is the Scottish Rite Temple. Return then should be made to Franklin Street by way of Harrison.

Stuart Monument marks the beginning of Monument Avenue, with its double thoroughfare and grass-plot middle. Lee, Jefferson Davis and Jackson monuments are to be

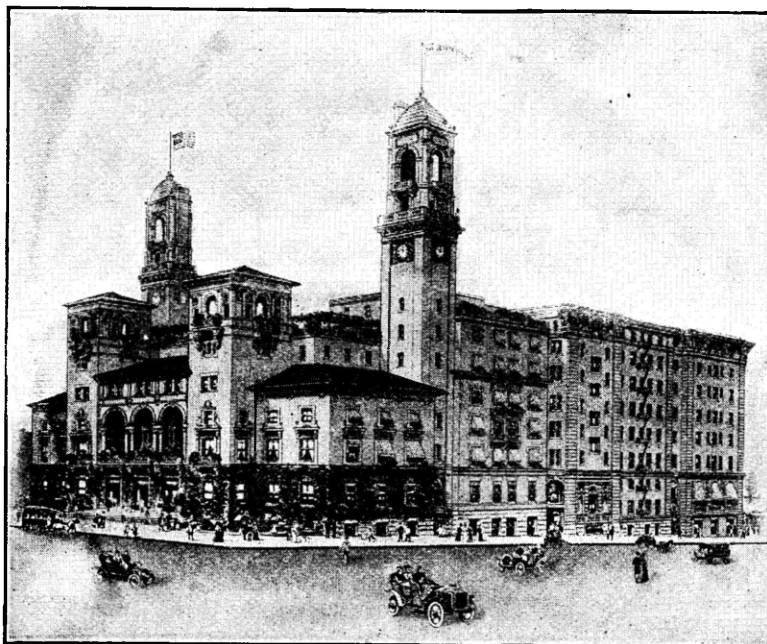
famous paintings, the Confederate Soldiers' Home and its museum, together with many beautiful churches and apartments line it until Byrd Park is reached, near which are municipal athletic fields



Shirley, famous James River plantation estate.

and the swimming pool. Cary Street Road leads to the Country Club and the University of Richmond past suburban estates which include that of John Skelton Williams. This is one of the most interesting drives around the city; although that to the north leading to Ginter Park, another exclusive suburb, the Hermitage and Lakeside Country Clubs, is well worth taking. The east end of Richmond

can be reached by trolley or auto across the Marshall Street viaduct which spans a valley manufacturing and distribution section and leads to Chimborazo Park from which the lower river, the wharves, the Eastern manufacturing section and the Southside can be seen. Libby Hill Park affords a closer view of the central portion of the city and is not distant from St. John's Church at Twenty-fourth and Broad Streets, where Patrick Henry, in 1775 and surrounded by Wash-



The Jefferson Hotel, convention headquarters and one of the handsomest and most uniquely beautiful hotels in this country.

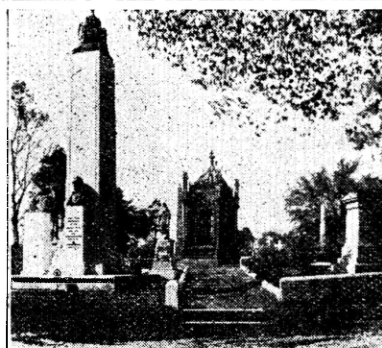
seen at intervals until the Boulevard is reached. This is another street similar to Monument Avenue and like it lined with palatial residences. The Confederate Memorial or Battle Abbey, with its

ington, Jefferson, Marshall and others, pleaded for liberty or death. This church was opened in 1741 and tombstones near its door bear the dates of 1751. At Nineteenth and Franklin Streets is the oldest

Masonic Hall in the United States, dating from 1785 and where Lafayette was given a reception in 1824. Washington's old headquarters, now Edgar Allen Poe shrine, at 1916 East Main Street, should be visited.

Hollywood Cemetery, held by many to be the most beautiful in this country, where two Presidents of the United States and many other famous men and women are buried, should not be overlooked, but can be visited best by motor. Motors also should be employed in visiting the famous battlefields around Richmond, the nearest of which Mechanicsville and the most distant Malvern Hill. Cold Harbor, Yellow Tavern, Gaines' Mill and Seven Pines are to be remembered among them. A number of famous plantations are located

along the lower James River including Varina, Shirley, Westover, Curles Neck and Brandon, while Jamestown, the site of the first permanent English settlement in



Tombs of Presidents John Tyler and James Monroe, Matthew Fontaine Maury, in Hollywood Cemetery.

America, presents a side trip which can be taken with interest and profit.

W. A. Curry, C. P. A., announces the removal of his office to 324 South Front Street, Memphis, Tennessee.

Frederick W. Morton, C. P. A., and Oliver H. Morton, C. P. A., of the Morton Audit Company, announce the removal of their offices to 1401 Majestic Building, Detroit, Michigan.

Sidney G. Spero, C. P. A., announces the opening of his office at 249 West Thirty-fourth Street, New York City.

M. B. McMullen, C. P. A., announces the opening of an office in the Louisville Trust Building, Louisville, Ky., where he will practice under the firm name, M. B. McMullen, C. P. A.

ANNOUNCEMENTS

A. Robertson, C. P. A., is now located at 2-114 General Motors Building, Detroit, Michigan.

George H. Macbeth, C. P. A., announces the opening of an office for the general practice of accounting at 531 Park Square Building, Boston, Mass.

Thomas B. Donnelly, C. P. A., and Patrick J. Moynihan, C. P. A., announce the formation of a partnership for the general practice of accounting under the firm name of Donnelly-Moynihan & Company, Certified Public Accountants, with offices at Suite 942 Park Square Building, Boston, Mass.

Maurice Glazer, C. P. A., announces the removal of his office to 296 Broadway, New York City.

George S. Clark, C. P. A., announces the removal of his office to 610 Mahoning Bank Building, Youngstown, Ohio.

John J. Barry & Company, Certified Public Accountants, announce the removal of their offices

to the Waterman Building, 44 School Street, Boston, Mass.

Albert A. Kaiser, C. P. A., and Louis E. Seiden, C. P. A., of the firm of Kaiser & Seiden, announce the removal of their offices to 415 Lexington Avenue, N. E. Corner 43rd Street, New York City.

Hugh L. Dickerson, C. P. A., announces the opening of an office in the State and City Building, Richmond, Va., for the general practice of public accounting.

Campbell C. Denman, C. P. A., announces the opening of an office for the general practice of public accounting at 604-5 First National Bank Building, Vicksburg, Miss.

Chas. S. Jones, C. P. A., is now located at Room 404, 714 South Hill Street, Los Angeles, California.

Chas. B. Holloway, C. P. A., and Henry T. Boyd, C. P. A., announce the removal of their office from 1238 Commercial Trust Building to 2018 Packard Building, Philadelphia, Pa.

Announcement is made of the dissolution of the firm of Bienvenu & Winchester, Public Accountants and Auditors, 1109 Hibernia Bank Building, New Orleans, La., effective June 30, 1925.

Emile Bienvenu, C. P. A., is now located at 1403 Hibernia Bank Building, New Orleans, La., where he will continue his practice of public accounting.

Cornell and Company, Certified Public Accountants, St. Louis, Mo., desire to announce the opening of their Chicago Office at 1215 Federal Reserve Bank Building, with John K. Laird as resident partner.

McLaughlin and Company, Certified Public Accountants, announce the opening of their offices at 1320-22 First National Soo Line Building, Minneapolis, Minn., with affiliated offices in Superior, Wis., New York City, Chicago and Washington, D. C.

Teacher: "Johnny, will you define the genders?"

Johnny: "There are two genders, masculine and feminine. Masculine is divided into two parts, temperate and intemperate; and feminine into torrid and frigid."—Behind the Plow.

C. P. A. Examination Questions—North Carolina

JUNE, 1925

ACCOUNTANCY—THEORY AND PRACTICE

First Day—Morning Session

Question No. 1—Rating, 10 Points:

The fiscal year of a manufacturing company ends June 30th, 1924, and the bookkeeper presents a statement to the Directors, made up in the following form:

Gross Sales	\$330,000	
Increase of Inventory	16,000	\$346,000
Cost of Sales:		
Operating Expenses, Raw Materials and Supplies	307,000	
Depreciation on Plant.....	12,000	
Freight on Return Goods.....	600	
Sundry purchases finished goods...	10,400	330,000
Manufacturing Profit		16,000
Other Income:		
Sales of By-product	9,000	
Discounts on purchases.....	500	9,500
		25,500
Less:		
Discounts on sales.....	2,875	
Returns and Allowances.....	1,125	4,000
Net Plant Profit.....		21,500
Less:		
General Administrative Expenses...	5,500	
Interest	1,500	7,000
Net Profit		14,500

You are required to make up corrected Profit and Loss and Manufacturing statements in regular form, showing purchases, etc., using such of the above figures as may be necessary, together with the following:

Inventories June 30th, 1923	
Raw Materials	\$115,000
Factory Supplies	35,000
Finished Goods	45,000
By-product	3,500
Inventories June 30th, 1924	
Raw Materials	140,000
Factory Supplies	10,000
Finished Goods	60,000
By-product	4,500

Raw Materials used in factory during the year....	\$75,000
Wages	122,500
Fuel	2,500
Repairs and Renewals	2,000
Other Operating Expenses (not including supplies)	55,000

Question No. 2—Rating, 6 Points:

An old established firm of Retail Merchants have engaged you to advise them regarding plans for the future. The firm has been operating as a partnership, there being three equal partners, profits divided equally after all expenses paid. Two of these partners conduct the business and draw salaries for their services of \$5,000 each. The profits of the business have been between \$30,000 and \$40,000 for each of the last five years, and it is estimated that the outcome in future will be approximately the same. The third member of the firm has retired, and is living on his income from the partnership, and the revenues from some rather extensive Real Estate holdings. The firm has ample capital for the conduct of the business, in fact, they do not find it necessary to borrow money at any time.

The members of this firm are considering the formation of a corporation, but are uninformed as to the advantages and disadvantages. You are requested to submit your views on the question, and to make definite recommendations after considering the matter from its several standpoints.

Question No. 3—Rating, 6 Points:

A and B carried on a business as a Partnership, and divided profits and losses on the basis of their capital, nine-sixteenths and seven-sixteenths, respectively. On January 1st, 1925, A's capital was \$99,000, and B's \$77,000, as shown by a Balance Sheet of that date. They agree to admit C as a partner from the same date, on the following terms:

(1) Assets, Liabilities and Capital to be taken as shown in the Balance Sheet.

(2) \$24,000 to be added to the assets for Good Will.

(3) The amount of the added Good Will to be divided to A's and B's Capital Accounts in proportion as they share in the profits.

(4) C to pay to the partnership such a sum as will give him one-fifth share in the business.

Required:

(a) State what amount of Capital C has to bring into the business.

(b) Set out the capital accounts of the partners in the new partnership.

(c) State in what proportion the ownership will be distributed after the new partnership is formed.

Question No. 4—Rating, 13 Points:

The general field of Accountancy may be considered under two distinct phases, to-wit:

Constructive and Recording Phase.

Analytical and Synthetic Phase.

The first phase we will designate as "Practical Accounting." The second phase we will designate as "Auditing."

Since the real benefits of Accounting are realized through the presentation of financial statements (or auditing), it is of the utmost importance that the records be properly designed and constructed.

With the above general principles in mind, discuss an accounting system for an automobile garage selling one hundred automobiles per month, and conducting the usual service departments. Submit a list of the accounts that would appear on the monthly trial balance when the system is in operation. Enumerate the records you would recommend for installation.

Question No. 5—Rating, 15 Points:

You are engaged to audit the books of a company, by whom you have not previously been employed. Your audit is to be for the year 1924. Before you begin your work, the client informs you that the Income Tax Returns for the year 1922, and previous years, have been examined by the Internal Revenue Department, and that, after a careful investigation of the Examining Officer's report, it had been accepted, and all Tax adjustments agreed upon. You are especially requested to see that the company's books are made to conform to the findings of the Examining Officer, and all necessary adjustments are to be made to correct any and all errors of omission, or of commission.

You find that the books have only been partially kept for some of the past years, but that at the beginning of 1922 a good double-entry set of books had been opened, and that the opening entries had been made from information taken from an actual count of the Assets and Liabilities. The Fixed Assets were at that time valued conservatively, and there values were used as the book values. You find that Depreciation has been written off each of the two years, and the amounts credited to the Asset Accounts. After a careful examination of these accounts, you have prepared the following condition as shown by the books:

Account	Ledger Balance as shown by the books Dec. 31, 1923	Depreciation written off since Jan. 1, 1922	Additions made to the Assets in 1923	Depreciation written off for 1923
Land	\$100,000.00	None	None	None
Brick Buildings	67,283.91	\$8,982.56	\$1,046.91	\$3,813.32
Wooden Buildings	21,690.90	4,718.92	1,126.19	1,648.69
Machinery and Fixtures	45,514.41	9,316.14	9,217.62	6,853.82
Office Furniture	2,215.81	819.51	417.51	379.42
Automobile Trucks	2,854.75	2,114.96	1,750.19	1,656.57
Horses	416.90	1,214.21	516.50	526.22
Wagons and Harness	539.35	792.81	413.62	333.04
Spur Track	393.96	318.96	None	42.78
	<u>240,909.99</u>	<u>28,278.07</u>	<u>14,488.54</u>	<u>15,253.86</u>

Inspection of the Examining Officer's Report furnishes the following information:

Account	Actual Cost of Asset Dec. 31, 1922	Correct Depre- ciation Reserve Dec. 31, 1922	Rates of Depreciation used by Examining Officer and agreed upon per annum
Land	\$75,000.00	None	None
Brick Buildings	92,519.61	\$9,461.92	3%
Wooden Buildings	35,654.18	12,319.14	5%
Machinery and Fixtures	51,252.19	11,463.21	10%
Office Furniture	3,469.52	1,121.44	10%
Automobile Trucks	3,219.52	1,749.32	25%
Horses	1,561.22	822.74	25%
Wagons and Harness	1,086.74	659.37	20%
Spur Track	712.92	128.34	5%
	<u>264,475.90</u>	<u>37,725.48</u>	

Prepare statements which show plainly the adjustments you would make for the year 1923, and the journal entries necessary to make all corrections to any and all accounts affected by the Examining Officer's findings and your client's agreement with the Examining Officer.

ACCOUNTANCY—THEORY AND PRACTICE

First Day—Afternoon Session

Question No. 6—Rating, 6 Points:

State your views concerning the following, and discuss their treatment from an accounting standpoint:

No par value stock.

Trust Agreement (sometimes referred to as Massachusetts Trust).

Amortization of Premium on Bonds sold.

Amortization of Discount on Bonds sold.

Question No. 7—Rating, 7 Points:

The stock and plant of the Carolina Manufacturing Company were badly damaged by fire on June 30, 1924. An appraisal of the loss as made and used as a basis for settlement with the insurance companies, showed that machinery which cost \$10,000 was destroyed, against which a reserve for depreciation had been built up of \$3,000; that the building was damaged to the extent of \$8,000; that raw materials were destroyed which cost \$12,000; that finished goods were also destroyed which cost \$18,000 to manufacture. Total settlement with insurance companies was \$35,000. Make the necessary entries to establish the loss on the books, and to properly record the fire loss.

State how you would determine the Raw Materials and Finished Goods destruction had you been called upon to appraise the damage.

Question No. 8—Rating, 10 Points:

A certain manufacturing concern makes tools and other equipment for use in its own plant, and charges them to the Capital Asset accounts at the market value (which is in excess of cost), and credits the difference between the market and the cost value to Profit and Loss for the period in which the tools and other equipment were manufactured.

In the examination of the customers' accounts of this concern you find certain credit balances aggregating \$13,011.31,

arising out of allowances for returned goods, defective goods, etc. It has been the practice of the company to deduct items of this nature from amounts due from customers and to state the net difference in the balance sheet as uncollected customers' accounts.

The company makes numerous cash sales at the plant, and from this cash sundry disbursements are made. Deposits are made in bank about three times each week, although the plant is but one block from the bank. In making up the deposits for the bank, usually about three hundred dollars are held out for making change, and for sundry expenditures. It is the habit of the bookkeeper to make loans from the cash to company's employees.

What is your criticism of these methods? Make recommendations.

Question No. 9—Rating, 7 Points:

Describe the process for the dissolution of a corporation, and give specimen of the journal entries you would make on the company's books. Discuss the treatment of Premiums paid on Life Insurance Policies, covering lives of Corporation Officers, and paid by the Corporation.

Question No. 10—Rating, 20 Points:

You have audited the books of The Carolina Milling Company, a corporation. This company operates a flour and meal mill. Your audit is for the year 1924, and you have taken adjusted trial balance, and are ready to prepare Financial Statement for your client. The Trial Balance is as follows:

Cash in Bank	\$7,006.70	
Office Contingent Fund	200.00	
Due from Customers	36,637.39	
Due from Officers and Employees	410.00	
Payments on Building and Loan Stock	10,000.00	
Prepaid Insurance	469.66	
Prepaid Interest on Notes Payable...	313.72	
Mill Site	11,300.00	
Mill Building	30,000.00	
Mill Machinery and Fixtures	46,596.42	
Electrical Equipment in Mill	3,000.00	
Office Furniture and Fixtures	1,094.55	
Warehouse Furniture and Fixtures	130.65	
Salesman's Car	1,911.50	
Delivery Truck	2,221.70	
Accounts Payable		\$11,998.42
Notes Payable		65,200.00

Accrued Interest Payable	314.92
Real Estate Mortgage	10,000.00
Reserve for Depreciation of Mill Bldg.	1,500.00
Reserve for Depreciation of Mill-Machinery	3,450.91
Reserve for Depreciation of Electrical Equipment	225.00
Reserve for Depreciation of Office Furniture and Fixtures	259.25
Reserve for Depreciation of Warehouse Furniture and Fixtures	28.53
Reserve for Depreciation of Salesman's Car	1,433.64
Reserve for Depreciation of Delivery Truck	462.86
Capital Stock	75,000.00
Surplus	53,069.98
Flour Sales	187,438.01
Flour Inventory January 1, 1924	3,758.25
Meal Sales	62,814.83
Meal Inventory January 1, 1924	None.
Feed Sales	50,997.93
Feed Inventory January 1, 1924	1,081.00
Wheat Inventory January 1, 1924	30,192.12
Wheat Purchases	201,103.21
Corn Inventory January 1, 1924	2,100.00
Corn Purchases	59,552.08
Bags Inventory January 1, 1924	4,694.95
Bags Purchases	22,025.62
Self-rising Ingredients Inventory January 1, 1924 (Flour)	240.77
Self-rising Ingredients Purchases (Flour)	5,367.79
General Manufacturing Expenses	16,030.91
General Selling Expenses	8,803.41
General Warehouse and Delivery Expenses	3,925.11
General Administrative Expenses	11,241.97
Depreciation on Mill Building	500.00
Depreciation on Mill Machinery	1,161.48
Depreciation on Electrical Equipment ..	75.00
Depreciation on Warehouse Equipment ..	10.93
Depreciation on Salesman's Car	477.88
Depreciation on Delivery Truck	462.86
Depreciation on Office Furniture and Fixtures	96.65
	<u>524,194.28</u>
	<u>524,194.28</u>

Inventories December 31st, 1924

Flour	\$15,787.95
Meal	2,295.52
Wheat	18,029.38
Corn	12,418.08
Feed	11,686.00
Self-rising Ingredients (Flour)	3,956.18
Bags	8,437.24
	<u>72,610.35</u>

The Expense Accounts as appearing on the Trial Balance apply to Flour and Meal, but were undivided on the books. The management requests that volume of Production be used as a basis for division. To this you agree.

Production is as follows:

Flour, 24,472 Barrels.

Meal, 46,368 Bushels.

Basis—Six Bushels of Meal to One Barrel of Flour.

Ten per cent of all wheat, and 10 per cent of all corn put into process was husks, and is to be charged to Feed. It was agreed that none of the Expenses should be charged specifically to Feed, but that any profit or loss on this item would be treated as by-product, and divided to Flour and Meal on same basis as the Expenses.

Self-rising ingredients are used in Flour only.

Prepare:

Balance Sheet at December 31st, 1924.

Profit and Loss Statement—Divided as to Flour and Meal.

Manufacturing Cost Statement—Divided as to Flour and meal.

COMMERCIAL LAW**Second Day—Morning Session**

1. State the legal definition of a contract.
2. State the difference between, and give examples of, express and implied contracts.
3. Name four (4) essential elements of a legal contract.
4. What is the law with reference to the time for acceptance of an offer, and what is the rule with reference to its communication?
5. What general rule of law is embraced in the term, "Caveat Emptor"?

NEGOTIABLE INSTRUMENTS

6. Give the legal definition of a negotiable instrument.
7. In the case of negotiable instruments, what is the law as to presumption of consideration? (a) As between immediate parties? (b) As to holder in due course?
8. Define the following: (a) Conditional endorsement, (b) Restrictive endorsement, (c) Accommodation endorsement, and give an example of each.
9. Name three (3) personal defenses which are considered good in the case of negotiable instruments.
10. What is a "Notice of Dishonor," and what is its purpose?

AGENCY AND PARTNERSHIP

11. Into how many classes are agents divided with reference to their scope of authority? Define each.
12. May an agent delegate his authority? Explain reasons for your answer. What is the status of a contract executed by the agent of a minor principal? A married woman?
13. State the difference between partnership and joint ownership. Discuss sufficiently to show that you understand the elements necessary to each relation.
14. Smith and Jones are partners in the grocery business. Smith, without Jones' knowledge, buys five cars of hay, pledging the firm's credit for the amount of the purchase. When the hay arrived Jones, who is in charge of the store, refuses to accept it, claiming the purchase was made without his approval. Can the seller hold the firm upon the purchase? Explain.
15. Is the law with reference to the right of one partner to bind the firm the same in all classes of partnerships? Explain fully.

CORPORATIONS

16. A owns stock in a corporation which had declared a dividend payable at a certain future date. The officers of the corporation refused to pay the dividend. What are A's rights?
17. On January 1st the X Y Z Corporation was formed, with an authorized and paid up capital of \$100,000. John Doe wishes to buy stock in the company, and the officers on January 5th take his check for \$50,000 and issue him certificates for that amount of stock. What is his legal relation to the corporation? Explain fully.
18. What is an assignment for the benefit of creditors? Under what rule of law may it be invoked?
19. Define fully the right of eminent domain.
20. How are shares of a corporation transferred?

FEDERAL TAXATION**Second Day—Afternoon Session**

1. Where services are paid for with something other than money, how should an individual compute his taxable income?
2. A rents his farm on shares to B and receives 10 bales of cotton therefor. He does not sell the cotton in the year in which it is received. How would you advise him to file his return for this year and the succeeding year in which the cotton is sold?
3. In the year 1924 A was run down by an automobile and

fatally injured. As a result he received damages in the amount of \$10,000. Should he include this in his income?

4. Why is it that the Federal Government can not tax the incomes of State officers and employees?

5. What is the rule in regulations 65 with reference to the method of taking a reserve for bad debts as a deduction?

6. State how a deduction for depletion of timber should be computed.

7. Under what conditions may premiums paid by a taxpayer on an insurance policy, on the life of an officer or employee, be deducted from gross income?

8. A, a married man, died on June 1, 1924. His widow had a separate income for the year and filed a return. What is her personal exemption? What exemption should the Executor of A's estate take on the return filed for A up to the time of his death?

9. During the period of administration of a decedent's estate, what returns are required to be filed by his legal representative under the Federal law? Under the North Carolina law?

10. An individual taxpayer decided to change his accounting period and is requested to file a return for a six months period ended December 31, 1924. His income consisted of a salary of \$10,000, distributive share in a partnership \$5,000, dividends received from a New York Corporation \$2,000. He wishes to take credit for \$1,000 paid out for interest and \$1,000 for local taxes. The taxpayer is married with two minor dependents. Compute his tax for the six months period under the Federal law. Under the North Carolina law.

11. Under the 1924 Revenue Act, when are affiliated corporations required to file consolidated returns? When are two or more corporations deemed to be affiliated?

12. A purchased 100 shares of stock in the year 1923 for \$10,000. He received in 1924 a distribution of \$2,000 paid out of earnings and profits of the corporation accumulated prior to March 1, 1913. Is this amount taxable to him for the year 1924? He sold the stock in 1925 for \$9,000. What is his taxable gain or loss for this transaction for the year 1925?

13. The result of operations of a corporation for the years 1922, 1923, and 1924, were as follows:

1922—Loss	\$50,000
1923—Loss	30,000
1924—Net Income	70,000

What is its taxable income for the year 1924? Would the result of operations for the years 1922, 1923, and 1924, affect in any way the taxable income for the year 1925?

14. What are the personal exemptions allowed individuals under the Federal law and under the North Carolina law?

15. A owns 100 shares of stock in a corporation which has been operating at a loss for several years. In order to save the company from bankruptcy, an assessment of \$10 per share was made on the stockholders. Can A deduct his contribution of \$1,000 as a loss?

16. An individual's entire net income for the year 1924 consisted of gains from a retail grocery business, the net income from which was \$4,000. He was married with four minor dependents. Should he file a return?

17. Define and illustrate the "Cash" and "Accrual" methods of accounting.

18. Outline the procedure necessary in case a taxpayer desires to change his accounting period.

19. A bank pays taxes against its shareholders on account of their ownership of the shares of the stock issued by the bank. May the bank deduct these taxes on its Federal return for the year 1924?

20. Illustrate how the earned income credit is to be computed in case husband and wife each receive salaries and file separate returns.

AUDITING

Third Day—Morning Session

Entire ten (10) questions to be answered.

1. Define Fixed and Working Capital, exemplifying each by preparation of statement. (8 Points.)

2. Define:

Corporation Bonds.

Collateral Trust Bonds.

Debenture Bonds.

Income Bonds.

Convertible Bonds.

Equipment Trust Bonds. (12 Points.)

3. State concisely your understanding of the difference between the following kind of audits, giving your conception of your responsibility in each case, and form of certificate you would furnish:

Continuous or periodical Cash Audit.

Annual Audit.

Financial Audit or Investigation.

General Audit of Executor's Account for Probate.

(12 Points.)

4. State how you would verify the following:

Accounts Receivable Hypothecated.

Merchandise in Process of Manufacture.

Investments.

Accounts Payable Liability as shown by books.

(12 Points.)

5. (a) State two transactions on the part of a Bank which constitute Contingent Liabilities.

(b) State certain requirements of banks in connection with Government, Municipal, and other Official Deposits.

(12 Points.)

6. A Banker being asked as to bank's method of keeping in touch with progress of borrowers advised that same consisted of consideration of Increase or Decrease of Net Worth shown on Annual Statement of Assets and Liabilities presented by borrowers, one year with another, no Operating Statements being required.

Do you consider this method adequate? If not, explain fully your reasons. (8 Points.)

AUDITING

Third Day—Afternoon Session

Entire ten (10) questions to be answered.

7. The books of a Corporation (with Capital Stock of \$800,000) at the beginning of the last Fiscal Year showed a Surplus of \$28,450.

During your examination immediately subsequent to the close of the Fiscal Year, you learn the following facts:

That the Net Profits on goods delivered to customers during the year amounted to \$115,350.

That Prior to and at the close of the year the company owned bona fide contracts for the delivery of goods during the next few months.

That the company had purchased a sufficient quantity of merchandise to fill these contracts.

That after making due allowance for all production and selling costs and expenses incidental to the delivery of the contract goods, had arrived at a net profit amounting to \$51,120, which was carried to the Profit and Loss Account, making the total profits \$166,470.

That there was declared and paid a dividend of 20 per cent amounting to \$160,000, and that \$6,470 was carried to Surplus Account.

How would you handle this in your Audit?

(12 Points.)

8. In the preparation of a Trading Statement of percent-

ages to determine the gross profits, you found that the sales of \$100,000 were made subject to discount of 7 per cent if paid in 30 days.

Would you base your percentages on the gross sales of \$100,000, or on the net of \$93,000. State your reasons. (8 Points.)

9. In a case where the appraisal value of property exceeds the book value, state how you would adjust the books, and what accounts would be affected. (8 Points.)

10. Give your outline of an auditor's certificate, stating therein essential points which sometimes arise and have to be specially dealt with. (8 Points.)

Michigan's New Accountancy Law

[State of Michigan, 53rd Legislature, Regular Session of 1925. Senate Bill No. 233 (File No. 231). Introduced by Senator Condon.]

Senate Enrolled Act No. 152.

An Act to establish the Michigan State Board of Accountancy, to grant the board the usual and necessary administrative powers, to define a public accountant, to define the status of a certified public accountant, to prescribe conditions under which firms and corporations may practice public accounting, to provide for the granting and issuing of certificates to accountants who qualify under the provisions of this Act, to provide for revoking and cancelling certificates so issued, to provide an annual registration fee, to regulate the practice of public accounting, to prohibit the practice thereof by non-registered persons, to provide for the employment of non-registered persons, to provide a penalty for violations of its provisions, and to repeal all Acts and parts of Acts inconsistent with the provisions thereof.

The People of the State of Michigan enact:

Section 1. Within sixty days after this Act takes effect, the Governor shall appoint four citizens of the United States who are residents of this State, who, together with himself as an ex-officio member, shall constitute and serve as the Michigan State Board of Accountancy, hereinafter called the board. Three members of the board first appointed shall be selected by the Governor from certified public accountants holding certificates obtained in this State, who have been practicing in the State for at least five years, one of whom shall be appointed for a term ending July 1, 1927, one for a term ending July 1, 1928, and one for a term ending July 1, 1930, and upon the expiration of each of said terms and of each succeeding term, a member shall be appointed for a term of four years. Each successor to these three members shall be selected from certified public accountants holding certificates obtained in this State, who have been practicing in this

State for at least five years. One member of this board shall be a practicing attorney, in good standing in the courts of the State, appointed in the first instance for a term ending July 1, 1929, and, upon the expiration of said term and of each succeeding term, a member shall be appointed for a term of four years, such successors to be practicing attorneys in good standing as herein-before mentioned. Each member of the board shall receive a certificate of appointment from the Governor and, before entering upon his duties, he shall file with the Secretary of State the constitutional oath of office. Any member of the board may be removed by the Governor for misconduct, incompetency, or neglect of duty, but only after he has had an opportunity to be heard in his own behalf. Any vacancy that may occur for any cause shall be filled by the Governor for the unexpired term under the same conditions that govern regular appointments. Every member shall hold office until his successor is appointed and qualifies.

Section 2. The board, being charged with the responsibility for the administration of this Act, shall have power to design and use a seal, compel the attendance of witnesses, administer oaths, take testimony and receive proofs concerning all matters within its jurisdiction. It shall formulate rules for its guidance, not inconsistent with the provisions of this Act, and print the same for distribution. It may prescribe a standard of professional conduct and formulate reasonable rules defining unethical practice for public accountants: Provided, however, That before they are officially printed, as provided for in section fourteen, a copy of the same and of any changes or amendments which may be thereafter proposed shall be mailed to every holder of a certificate issued under the provisions of this Act at least sixty days prior to a date named, at which date an open hearing shall be held by the board for the purpose of receiving and considering objections to any of the suggested provisions. Every person practicing as a public accountant in the State, as described in section 8, shall be governed and controlled by the rules and standards adopted by the board.

Section 3. The board shall annually elect one of its accountant members as chairman, one as vice chairman, and one as secretary-treasurer, while the lawyer member shall be designated as counsel. It shall make an annual report to the Governor. It shall keep all applications filed, all documents under oath, a record of its proceedings, and shall maintain a register of the names and addresses of all persons applying for, and of those receiving, certificates under this Act, any of which, or a certified copy thereof, shall be prima facie evidence of all matters covered by them.

Section 4. Three members shall constitute a quorum at any meeting of the board for which a notice of three days has been given by the chairman or secretary. If less notice is given, four members must be present. Meetings, at which examinations will be given, shall be held at least twice each year. The times and places for holding said examinations shall be advertised at least three consecutive days in daily newspapers published in five different cities, at least thirty days prior to the dates of such examinations, and notices of the same shall be mailed to all certificate holders and to all applicants for certificates under this Act. The board may require applicants to appear in person to answer questions or produce evidence to sustain facts which will determine whether the qualifications of the applicant are as prescribed by this Act and the rules of the board.

Section 5. The board shall charge each applicant for any certificate a fee of \$25.00. The fee shall accompany the application, which must be made on a blank provided by the board. All money received by the board shall be paid into the State Treasury. The members of the board shall receive as compensation for their services \$10.00 per day for the time actually spent, and the necessary expenses incurred in the discharge of their duties as such members. All bills for compensation and expenses shall be allowed in open meeting of the board and referred to the State officials for payment in the manner prescribed by law. All money paid into the State Treasury in any year in excess of expenditures shall be noted in the budget

required by the accounting system of the State.

Section 6. The board shall, in December of each year, issue a registration card to any holder of a C. P. A. certificate, or to any holder of a certificate of authority, which card shall be good until December 31 of the next succeeding year, charging therefor a fee of \$5.00. A registration card shall also be issued to any firm or corporation which has complied with the provisions of section 12 or section 13, for which a fee of \$5.00 shall be charged. Interim registrations shall be issued to individuals, firms, and corporations who have complied with the provisions of this Act within the year.

Section 7. The board shall, in January of each year, prepare a printed register which shall contain, following a copy of this Act, an alphabetical list of the names, certificate numbers, business connections and addresses of all certified public accountants to whom such registration cards have been issued for that year, and an alphabetical list of the names of the firms of certified public accountants to whom such registration cards have been issued for that year, together with an alphabetical list of the names, certificate numbers, business connections and addresses of all holders of certificates of authority to whom such registration cards have been issued for that year, and an alphabetical list of the firms and corporations practicing public accounting to whom such registration cards have been issued for that year. A register shall be mailed to every person listed therein, to every county clerk, probate clerk, circuit court clerk and bank cashier in the State, and to such other person or persons as the board, in its discretion, may determine is for the public welfare. This register shall contain at the beginning the following statement: "Any person receiving this list is requested to send the secretary of the Michigan State Board of Accountancy the name and address of any person, firm, or corporation, known to be practicing as a public accountant whose name does not appear in this register. The names of persons giving such information will not be divulged." Failure to secure a registration card for any year shall not disqualify the holder of a certificate from securing a card for a future year, if the certificate holder decides to return to the practice of public accounting. When registration cards are secured after the annual register is issued, such individuals shall not be subject to the penalty prescribed in section 24 or section 25, provided the cards were secured prior to charges having been preferred against them that they were practicing unlawfully.

Section 8. A person, either individually, or as a member of a firm or corporation, shall be deemed to be in practice as a public accountant, within the meaning and intent of this act:

(a) Who holds himself or herself out to the public in any manner as one who is skilled in the knowledge, science, and practice of accounting, and as qualified to render professional service therein as a public accountant for compensation; or

(b) Who maintains an office for the transaction of business as a public accountant, or who, except as an employee of a public accountant, practices accounting, as distinguished from book-keeping for more than one employer; or

(c) Who offers to prospective clients to perform for compensation, or who does perform on behalf of clients for compensation, professional services that involve or require an audit or verification of financial transactions and accounting records; or

(d) Who prepares or certifies for clients, reports of audit, balance sheets, and other financial, accounting and related schedules, exhibits, statements, or reports which are to be used for publication or for credit purposes, or are to be filed with a court of law or with any other governmental agency, or for any other purpose; or

(e) Who, in general or as an incident to such work, renders professional assistance to clients for compensation in any or all matters relating to accounting procedure and the recording, presentation and certification of financial facts.

Section 9. No person may legally practice in this State as a certified public accountant or as a public accountant, either in his or her own name, under an assumed name, as a member of a firm, as an officer of a corporation, or as an employee, except as provided in section twenty-seven, unless he or she shall have been granted a certificate by the board and secured a registration card for the current year.

Section 10. Any person who has received from the board a certificate of his qualifications to practice as a certified public accountant, as hereinafter provided, shall be styled and known as a "certified public accountant" and no other person shall assume to use such title or the abbreviation "C. P. A." or any other word, words, letters or figures to indicate that the person using the same is a certified public accountant. The terms "chartered accountant" and "certified accountant" and the abbreviation "C. A." are specifically prohibited as being prima facie misleading to the public. Any person who has received from the board a certificate of authority, as hereinafter provided,

shall be styled and known as a "public accountant" and no other person, other than a certified public accountant, shall assume to use such designation to indicate that such person is entitled to practice as a public accountant.

Section 11. All persons practicing individually or under an assumed name, and all firms, and all corporations engaged in public accounting in the State of Michigan, at the date of the passage of this act, and intending to continue to so practice, must register with the board, before January one, nineteen hundred twenty-six, giving the names and addresses of every person practicing as principal or under such assumed name, the names and addresses of every member of the firm, and the names and addresses of every officer of the corporation, together with the names and addresses of all persons in their employ in the State at that date who hold C. P. A. certificates. No charge shall be made for this registration.

Section 12. Any firm, every member and resident manager of which is a certified public accountant, after registering the firm name with the board, may use the designation "certified public accountants" in connection with the firm name: Provided, That whenever the firm name is so used, except in directory listings, the names of all members and managers thereof, resident in the State, shall be indicated and the names of members not resident in the State may be indicated if such members hold certificates issued by the board. When firms so registered secure annual registration cards, the name of the firm shall be listed in the annual register together with the names of the members and managers thereof, resident in the State, with the designation C. P. A. after each name, and the names of non-resident members who hold certificates issued by the board may also be listed. All other firms may use the designation "public accountants" in connection with the firm name, provided that whenever the firm name is so used, except in directory listings, the names of all members and managers thereof, resident in the State, shall be indicated if such members hold certificates issued by the board. When firms so registered secure annual registration cards, the name of the firm shall be listed in the annual register together with the names of the members and managers thereof, resident in the State, every certified public being indicated by the initials C. P. A. and the names of non-resident members who hold certificates issued by the board may also be listed. An assumed name, in use prior to the passage of the act, may be used the same as a firm name provided the individual persons practicing as principal under that

name hold certificates issued by the board and provided such persons have complied with act number one hundred one of the Public Acts of nineteen hundred seven.

Section 13. Any corporation, organized under the laws of this State, which was, under the authority of its articles of incorporation and in accordance with the laws of the State, practicing public accounting, as described in section eight, in the State at the date of the passage of this act, may apply for a certificate of authority to practice public accounting and the board shall issue one in accordance with the provisions of this act. Such corporations may use the designation "public accountants" in connection with the corporate name: Provided, That whenever the corporate name is so used, except in directory listings, the names of the president, secretary, and manager of its public accounting department shall be indicated, at least one of whom shall be a certified public accountant. When corporations so registered secure annual registration cards, the names of the corporations shall be listed in the annual register together with the names of the president, secretary, and manager of its public accounting department, every certified public accountant being indicated by the initials "C. P. A."

Section 14. If and when the board shall have prescribed a standard of professional conduct or shall have formulated reasonable rules defining unethical practice for public accountants, the same shall be printed as part of the application blanks for both certificates and registration cards and every applicant for either a certificate or registration card shall subscribe to the same when making application. Before the board issues a certificate to any person under this act, such person shall file with the board the following oath or affirmation, which shall be taken before an officer authorized to administer oaths: "I do solemnly swear (or affirm) that I will support the Constitution of the United States and the Constitution of this State, and that I will faithfully perform and discharge the duties of a certified public accountant (or public accountant) to the best of my ability and in accordance with the law."

Section 15. Applicants for a certificate as a certified public accountant, or for a certificate of authority, must be citizens of the United States, or persons who have declared their intention of becoming such, who reside within the State or who have an office for the regular transaction of business therein, who are over the age of twenty-one years and of good moral character. Applicants who have declared their intention of becoming citizens and who

pass the examination shall be granted a certificate of authority valid, subject to the annual registration, for a period of six years from the date of such declaration of intention. When evidence is furnished the board that citizenship is completed, the certificate of authority shall be cancelled by the board and a certificate as a certified public accountant issued therefor. If evidence is not furnished that citizenship is completed, the certificate of authority shall be revoked and cancelled. The board shall have power to extend the certificate of authority if a sufficient cause for delay is shown.

Section 16. Applicants for a certificate as a certified public accountant must have completed at least a four year high school course of study or have received an equivalent education prior to the date of application, the value of equivalents offered to be determined by the board. Said applicants must have had at least four years' continuous practical experience in public accounting immediately preceding the date of application, the efficiency of the experience to be judged by the board. The board may accept evidence of sufficient technical education in accountancy in lieu of one year of public accounting experience, and the requirement as to continuous experience immediately preceding the date of application may be waived if the applicant has had six years of practical experience in public accounting, the last year of which immediately preceded the application.

Section 17. The board shall issue a certificate as a certified public accountant to each applicant who passes a satisfactory examination in theory of accounts, practical accounting, auditing, commercial law, economics and public finance, and in any other related subjects which the board may deem it advisable to give, provided the applicant has complied with the requirements of this act and the rules of the board.

Section 18. Whenever the holder of a certificate of examination issued by the board under the provisions of section twenty-two has had at least two years' continuous practical experience in public accounting, the efficiency of which shall be judged by the board, an application may be filed, accompanied by the regular fee, and, if a satisfactory examination is passed in practical accounting and public auditing, the board shall issue the applicant a certificate as a certified public accountant, provided the applicant has complied with the requirements of this act and the rules of the board.

Section 19. The board may, in its discretion, issue a certificate as a certified public accountant to any applicant who holds a valid and unrevoked

certificate as a certified public accountant issued by or under the authority of another State or political subdivision of the United States, or who holds a valid and unrevoked certificate as a chartered accountant issued by or under the authority of a foreign country, provided the applicant has complied with the requirements of this act and the rules of the board, and (a) the original certificate was secured as the result of an examination which in the judgment of the board was the equivalent of the standard established by it or (b) the holder has been maintaining an office for the practice of public accounting under the authority of such certificate for a period of ten years.

Section 20. The board shall issue a certificate of authority to practice as a public accountant to each applicant before January one, nineteen hundred twenty-six, who furnishes satisfactory evidence that he or she was maintaining an office in the State for the practice of public accounting on his or her own account at the date of the passage of this act, and has been in continuous practice, during the whole or a portion of the regular business hours of each day, as a public accountant in the State since that date, or, that he or she had been in responsible charge of accounting engagements as an employed member of the staff of a certified public accountant, or of a public accountant, or of a firm of public accountants, or of a corporation practicing public accounting in the State, for a period of at least four years immediately prior to the passage of this act.

Section 21. The board shall require the same information from each applicant for a certificate of authority as it requires from an applicant for a certificate as a certified public accountant. Applicants for certificates of authority shall comply with the requirements of this act and the rules of the board, in so far as they are applicable. No certificate of authority shall be granted after January one, nineteen hundred twenty-six, except, as provided in section fifteen, to persons who have passed an examination as a certified public accountant and who have not yet secured their full citizenship papers. Certificates of authority confer the legal right to practice as a public accountant but do not confer any added title or designation.

Section 22. The board shall issue a certificate of examination to each applicant who successfully passes the prescribed examination in theory of accounts, cost accounting, commercial law, auditing, economics and public finance, and in any other related subjects which the board may deem it advisable to give, provided the applicant

is a citizen of the United States, twenty-one years of age, a resident of the State, of good moral character, a graduate of a high school with a four year course of study or has received an equivalent education, and is either a graduate from a four year college or university course in business administration of a standard grade, or its equivalent, or has had four years of practical accounting experience of a character needed to qualify one to act as an internal auditor, the board to judge as to the educational and experience qualifications. Certificates of examination shall not confer any added title or designation but permit the holder to take the examination provided in section eighteen for a certificate as a certified public accountant when he or she has had at least two years continuous practical experience in public accounting, the efficiency of which shall be judged by the board.

Section 23. Except by written permission of the client, or person, or firm, or corporation employing him, or the heirs, successors or personal representatives of such employer, a certified public accountant, or a public accountant, or a person employed by a certified public accountant or by a public accountant shall not be required to, and shall not voluntarily, disclose or divulge information of which he or she may have become possessed relative to and in connection with any examination of, audit of, or report on, any books, records, or accounts which he or she may be employed to make. The information derived from or as the result of such professional service shall be deemed confidential and privileged: Provided, however, That nothing in this paragraph shall be taken or construed as modifying, changing or affecting the criminal or bankruptcy laws of this State or of the United States.

Section 24. Any person:

(a) Who shall use any other term than certified public accountant, or the abbreviation C. P. A., to indicate that he or she is a public accountant with a specially granted title; or

(b) Who shall announce by printed or written statement that he or she holds membership in any society, association or organization of professional public accountants, unless such society, association or organization has been officially recognized by the board; or

(c) Who shall, when practicing under an assumed name, or as a member of a firm, or as an officer of a corporation, announce, either in writing or by printing, that the assumed name, firm, or corporation is practicing as a certified public accountant; or

(d) Who shall, as a member of a firm announce, either in writing or by

printing, that the firm is practicing as "certified public accountants" unless all members of the firm and the resident manager are holders of valid and unrevoked certificates issued by or under the authority of a State or other political subdivision of the United States, and the firm is registered with the board; or

(e) Who shall, as a member of a firm, announce, either in writing or by printing, that the firm is practicing as "public accountants" unless all members and managers of the firm, resident in the State, are holders of certificates granted by the board and the firm is registered with the board; or

(f) Who shall, as an officer of a corporation, permit it to practice as a public accountant unless it is registered with the board, has received a certificate of authority from the board, and either the president, secretary, or manager of its public accounting department is the holder of a certificate as a certified public accountant; or

(g) Who holds himself or herself out to the public as a certified public accountant or who assumes to practice as a certified public accountant unless he or she has received a certificate as such from the board; or

(h) Who holds himself or herself out to the public as a public accountant or who assumes to practice as a public accountant unless he or she has received a certificate of authority from the board; or

(i) Who shall practice as a certified public accountant or as a public accountant after his or her certificate has been revoked; or

(j) Who shall practice as an individual, or, as a member of a firm or as an officer of a corporation, practice or permit the firm or corporation to practice as a certified public accountant or as a public accountant unless a registration card has been secured for the current year; or

(k) Who shall sell, buy, give or obtain an alleged certificate as a certified public accountant, or a certificate of authority, or a registration card in any other manner than is provided for by this act; or

(l) Who shall attempt to practice as a certified public accountant or as a public accountant under guise of a certificate not issued by this board, or under cover of a certificate obtained illegally or fraudulently; or

(m) Who shall certify to any false or fraudulent report, certificate, exhibit, schedule or statement; or

(n) Who shall attempt by any subterfuge to evade the provisions of this act while practicing as a public accountant; or

(o) Who shall, as an individual, or as a member of a firm or as an officer

of a corporation, permit to be announced by printed or written statement that any report, certificate, exhibit, schedule or statement had been prepared by a certified public accountant or by a public accountant when the person who prepared the same was not such certified public accountant or public accountant, shall be deemed guilty of a misdemeanor, the penalty for which shall be not more than five hundred dollars for each offense, or imprisonment in the county jail for a period not exceeding six months, or by both such fine and imprisonment at the discretion of the court.

Section 25. Any certificate or registration card issued by the board may be revoked and cancelled, or suspended for a definite period, or the holder thereof may be officially censured by the board after a hearing, for reasons indicated in section twenty-four, or for unprofessional conduct, or for unethical practice, or for any other sufficient cause, or it may direct that action at court be brought or it may both revoke, suspend, or censure and institute action at court: Provided, That written notice shall have been mailed to the holder of such certificate, at his last known address, at least thirty days before any hearing thereon, stating the charge which has been preferred and appointing a time for a hearing by the board. At all such hearings, the Attorney General of the State, or an assistant designated by him, shall be present and represent the interests of the public. The certificate holder shall have the right to be represented by counsel. No action of said board, however, revoking, cancelling or suspending such certificate or registration card, for any offense other than those enumerated in section twenty-four upon which there shall have been a prior conviction, unappealed from, shall be operative if the person, firm or corporation whose certificate or registration card shall have been so revoked, cancelled or suspended, shall file in the chancery division of the circuit court of the county of which such person, firm or corporation is a resident or maintains an office, a petition setting forth the facts of such revoking, cancelling or suspending of such certificate or registration card, and praying the court for a hearing on the charges preferred against the holder of such certificate or registration card, and praying for an order to show cause directed against said board requiring said board to appear and plead to said petition in the same manner as in actions in chancery in circuit courts. Said matters shall thereupon proceed to hearing and decree the same as in actions in chancery in circuit courts. The burden of proof of such charges shall be

upon said board. At all such hearings the Attorney General of the State, or an assistant designated by him, shall be present and represent the interests of the public. The costs of the prevailing party may be taxed as the court may deem just and right under the circumstances. If the prayer of such petition be granted, the action and order of said board revoking, cancelling or suspending such certificate or registration card, shall thereupon become void and of no effect. If the prayer of said petition be denied, the action and order of said board shall become valid, effective and enforceable.

Section 26. The display of a card, sign, advertisement, a directory listing, or the issuance of a letterhead bearing a person's name as a practitioner of public accounting as described in section eight, shall be presumptive evidence by implication, in any hearing or prosecution against such person, that the person whose name is so carried thereon is responsible for the same and that he or she is announcing himself or herself thereby to practice public accounting. In any hearing or prosecution under this act, the proof of a single act prohibited by law shall be sufficient without proving a general course of conduct.

Section 27. Nothing contained in this act shall apply to holders of State granted C. P. A. certificates from other States who may be temporarily in this State on professional business incident to their regular practice in the States of their domicile, but with neither residence nor office in this State. Nothing contained in this act shall prevent the employment by a certified public accountant, or by a public accountant, or by a firm or corporation furnishing public accounting services as principal, of non-registered persons to serve as accountants in various capacities as needed: Provided, That such non-registered persons work under the control and supervision of certified public accountants or accountants with certificates of authority: And provided further, That they do not issue any statements or reports over their own names, except such office reports as are customary: And provided further, That such non-registered persons are not in any manner held out to the public as public accountants as described in section eight.

Nothing contained in this act shall imply that a practicing attorney, who, in connection with his professional work, prepares reports or presents records of a form or character usually prepared and presented by accountants, has become a public accountant within the meaning of this act as described in

section eight. Nothing contained in this act shall apply to any person who may be employed by more than one person, firm or corporation for the purpose of keeping books, making trial balances or statements, and preparing audits or reports, provided such audits or reports are not used or issued by the employers as having been prepared by a public accountant.

Section 28. The provisions of this act shall not be construed to invalidate any certificates heretofore granted under act number ninety-two of the Public Acts of nineteen hundred five or act number two hundred forty of the Public Acts of nineteen hundred thirteen, or as amended by an act approved May second, nineteen hundred seventeen, except that all certificates of registration and of authority issued under the provisions of those acts are hereby revoked

and cancelled and the board is directed to issue to the holders thereof, in exchange therefor, certificates as certified public accountants, making no charge therefor.

Section 29. Should the courts of this State or of the United States declare any provision of this act unconstitutional, illegal, or void, such decision shall not invalidate any other provision of this act.

Section 30. All acts or parts of acts in anywise inconsistent herewith are hereby repealed.

GEO. WELSH,
President of the Senate.

FRED WELLS,
Speaker of the House of
Representatives.

Approved May 27, 1925.

A. J. GROESBECK,
Governor.

LIABILITY OF "ACCOUNTS STATED"

By F. B. PERRIGO, C. P. A., Grand Rapids, Mich.

WHAT constitutes an "Account Stated"?

Is an "Account Stated" binding on all parties at Law?

To the first question, I would like to ask how many Accountants really know the answer. It is apparent the full meaning is not realized by the average Accountant and very few business men appreciate the importance of the statements which they have presented to them and upon which they transact business.

Every Certified Public Accountant should thoroughly understand this subject and I believe the following case at issue will interest many and possibly bring out the important points to remember to those who do not grasp the full significance of an "Account Stated."

On Tuesday, May 19, 1925, the Circuit Court for the County of Kent, State of Michigan, Honorable Judge Perkins presiding, rendered a judgment in excess of \$1,600 to the plaintiff in the case of Harry A. Adams vs. John S. Noel, the decision resting on an "Account Stated."

The plaintiff, Harry A. Adams, was employed by John S. Noel under contract dated August 28,

1920. Mr. Adams was employed as a salesmanager and his compensation based entirely upon a commission basis. He remained in such capacity until April 30, 1923, at which time he resigned after some disagreement between them. Mr. Adams had the opportunity to draw money at any time he desired and when he left the position he thought Mr. Noel indebted to him, the amount he did not know. The facts were that he had been overpaid approximately \$3,000. Sometime during August, 1923, Mr. Adams started suit against Mr. Noel for an accounting. It is very evident that he did not know he was overpaid or he would never have started suit. Mr. Noel had his bookkeeper prepare a statement of all sales and withdrawals by Mr. Adams, which statement showed a net balance due Mr. Adams of about \$650.00, but in the charges were three items which Mr. Adams later objected to. Mr. Noel took the statement to his attorney, and both of them went to see Mr. Adams' attorney. Mr. Adams was represented at the meeting by an accountant (not a certified man), who objected to the three items mentioned which total about \$900.00. It was agreed that

this accountant would go to the Noel office and check the records of credits only, no mention being made of the withdrawals. Accordingly this was done and another meeting was held at which no dispute arose over the withdrawals. The credits were agreed to as shown on the statement and the plaintiff's plea was changed to agree with the sum shown, without the three extra charges, referred to as A, B, and C.

The case was set to come to trial on a Monday morning about the middle of December, 1923, and the writer was called in by Mr. Noel on Saturday preceding. During the period intervening Mr. Noel had learned that there were certain items of disbursements which were not included in the charges on the statement, and his intentions were to have the writer's testimony as a Certified Public Accountant that the statement was wrong. I hastily prepared a statement from the ledger, and so introduced it as a statement, not an audit or an accurate statement. This trial was before Honorable Judge Brown, who permitted the defendant to question the "Account Stated" on which plaintiff brought suit. The plaintiff's attorney did not then present it as an "Account Stated," for some reason unknown to the defense, unless it was that he did not know about the "Account Stated" law. The fact that I would not testify to the statement presented being right or wrong caused a verdict for the plaintiff, since the bookkeeper that prepared the statement had left the employ of Mr. Noel and he testified for the plaintiff that the statement was right. This trial was set aside on technicality and a new trial ordered, the purpose being to give the writer time in which to make a detailed audit. A detailed audit was made which showed conclusively that Mr. Adams had overdrawn his maximum credits approximately \$3,000.00. A second trial was had before Judge Perkins and closed May 19, 1925. The plaintiff's attorneys went into the

second trial ready to quit, knowing that a complete audit had been made and the results obtained. The judge, being more familiar with "Accounts Stated," would not permit defendants to show that the statement was in error. The only question at issue before the jury was whether or not there was an "Account Stated" and the charge to the jury was that because defendant had the means to prepare a statement, did have a statement prepared and took it to the plaintiff's attorneys for the purpose of settlement, that thereafter he was estopped from changing that statement. His duty was to have the statement right in the first place.

This forms the essence of this case. When a statement has been prepared and accepted, it becomes an "Account Stated" and cannot be changed.

How many statements of various kinds have you seen prepared that could be certified to as being correct? The purpose for which statements are prepared should be considered, and the responsibility of those preparing the statements is an important consideration.

Mr. Noel's bookkeeper was an expensive man. His salary was about \$100.00 per month. He personally overpaid Mr. Adams and the statement which he prepared cost Mr. Noel \$6,500.00 all told.

U. S. CHAMBER OF COMMERCE AND TAXATION

The following were among the resolutions passed at the annual meeting of the Chamber of Commerce of the United States, held in Washington May 20 to 22, 1925:

Taxation

The Chamber has frequently spoken in favor of the reduction of the Federal income taxes, urged repeal of the war excise taxes affecting particular businesses, and has advocated the creation of such a body as the Board of Tax Appeals which has already by its expedition and clarity fully justified the expectations of the benefits that would follow.

The Resolutions Committee has had before it a number of proposals for reforms in the Federal revenue law. The subject is so large and complicated that it would be inexpedient to offer resolutions covering the various phases of the law. Your committee therefore recommends that the Board of Directors appoint a committee to study carefully the whole subject of Federal taxation, giving particular attention to the suggested changes which have been submitted to this committee.

Governmental Interference With Business

It is the established policy of this Government not to interfere

with the utmost freedom of action by the individual so long as he does not impinge upon the rights of others. The predominant position of this country in industry today is largely due to this attitude of our Government.

Consistent with this policy, the Government should not permit any of its bureaus to so operate as to harass and annoy business by frivolous and curious inquiry into the private affairs of business men. On the other hand, business men will make no objection to the fullest investigation by the Government of anything which the proper Government official may have good reason to suspect is a violation of the law of the land.

The Chamber urges upon its members the heartiest cooperation with all departments of the Federal Government to the end that much useful and valuable information may be availed of and a spirit of mutual helpfulness between the Government and business men may prevail.

* * * * *

From Report of Board of Directors Taxation

Changes in both rates and methods of Federal taxation have been conspicuous parts of the Chamber's program for several years. Many of the proposals which the Cham-

ber has supported as a result of action of its membership have been incorporated in national tax legislation. The general taxation policy of the Chamber as now constituted covers a number of important items such as the repeal of remaining war excise taxes with any needed revenues obtained from a sale tax, further re-adjustment of income sur-taxes, the subjecting of the interest of future issues of Federal obligations to the Federal tax, prompt and conclusive settlement of tax liability, decentralization of the administration of Federal income taxes, the establishment of a court of tax appeals independent of the Treasury Department, repeal of the publicity provision of the income tax law, and the exemption of American citizens resident abroad from the Federal tax upon incomes derived abroad and not remitted to the United States.

Advocacy of these changes has been made by the Chamber's executive officers in every appropriate way throughout the past year. Meantime the Advisory Committee to the Chamber's Finance Department has devoted a great amount of attention to other aspects of the taxation question. As the result of these studies the Committee submitted a report to the Board at its February meeting dealing with the questions of inheritance taxation and co-ordination of State and Federal taxation systems. This report of the board directed should be submitted to the organization members of the Chamber and it is accordingly now before the membership in Referendum No. 46, which closes on June 4, 1925. The proposals in this referendum, which are printed in full in the appendix at page 58, are that the Federal Government should always refrain from imposing estate or inheritance taxes, that the present Federal estate tax should be repealed and that there should be an organization of representatives of the States and of the Federal Government to co-ordinate National and State systems of taxation.

Trade Associations

Questions relating to the proper activities of trade associations have had the attention of a special committee of the Chamber throughout the year. This committee has conferred with officials of the Government for the purpose of ascertaining whether or not Government agencies differ with the committee respecting the legality of the activities advocated by the Chamber for trade associations as a result of Referendum No. 41 held in 1923. A number of con-

ferences have been held by the committee and it is hoped that Government agencies may find a way to remove the misunderstandings which have resulted from some earlier official statements. That it is not too much to entertain such a hope appears to be demonstrated by the last annual report of the Attorney General which gives express recognition to the fact that many trade associations are entirely lawful and engaged in activities whose results are helpful both to their members and to the public.

ILLINOIS' NEW ACCOUNTANCY LAW

House Bill No. 617.

An Act in relation to the practice of public accountancy, and to repeal a certain Act therein named.

Be it Enacted by the People of the State of Illinois, Represented in the General Assembly:

Section 1. After the first day of October, 1925, it shall be unlawful for any person to practice, or to attempt to practice as a public accountant or certified public accountant without a certificate of registration as a public accountant or certified public accountant issued by the Department of Registration and Education, pursuant to the provisions of "An Act in relation to the civil administration of the State government, and to repeal certain Acts therein named," approved March 7, 1917, as amended.

Section 2. For the purpose of this Act, a person shall be deemed to be engaged in the practice of public accountancy when he performs accounting or auditing service as distinguished from bookkeeping, on a fee basis per diem or otherwise, for more than one employer.

Section 3. Any citizen of the United States or person who has duly declared his intention of becoming a citizen, residing in or having a place for the transaction of business as a public accountant in the State of Illinois, being over the age of twenty-one years, of good moral character, and a graduate of a high school with a four years' course, or having an education which is the equivalent thereof, and who shall have received from the Department of Registration and Education, under the provisions of this Act, a certificate of his qualifications to practice as a public accountant, shall be styled and known as a Public Accountant, and no other person shall assume such title or use

any abbreviation thereof, or any other words or letters, signifying that the person using the same is a Public Accountant, except as permitted by this Act. Five years experience as a public accountant in business for himself or in the employ of a public accountant, shall be accepted as the equivalent of a high school education.

Section 4. Any citizen of the United States or person who has duly declared his intention of becoming a citizen, residing in or having a place for the transaction of business as a public accountant in the State of Illinois, being over the age of twenty-one years, of good moral character and a graduate of a high school with a four years' course, or having an education which is the equivalent thereof, and who shall have received from the Department of Registration and Education, under the provisions of this Act, a certificate of his qualifications to practice as a certified public accountant, shall be styled and known as a Certified Public Accountant, and no other person shall assume such title or use the abbreviation "C. P. A." or any other words or letters signifying that the person using the same is a Certified Public Accountant, except as permitted by this Act. Five years experience as a public accountant in business for himself or in the employ of a public accountant, shall be accepted as the equivalent of a high school education.

Section 5. The Department of Registration and Education shall make all necessary rules and regulations regarding the scope of examinations, the method and time of filing applications for examination, and all other rules and regulations necessary for the carrying into effect the purposes of this Act. The time and place of holding examinations shall be duly advertised for not less than three consecutive days

in at least one daily newspaper published in each of the cities or towns of this State where the Examinations are to be held, not less than thirty days prior to the date of such examinations. The foregoing examinations shall be held not less than twice each year at such time and place as the Department may designate.

Section 6. The examinations shall be on the subjects of theory of accounts, practical accounting, auditing and commercial law as affecting accountancy. The examinations may be either written or oral, or partly written and partly oral. The questions propounded shall be a reasonable and fair test of the candidates' qualifications to practice and shall be reasonably susceptible of answer or solution in the time allowed. The questions on accounting shall be based upon general accounting principles and shall not require a special knowledge on the part of the candidates of any particular kind of business. Each subject shall be marked separately, and every candidate shall be required to obtain a grading of seventy-five (75) per cent or over on each subject upon which he is examined. Each candidate who passes said examination shall thereupon receive a certificate of his qualifications to practice as a public accountant from the Department, which certificate shall state that said candidate has successfully passed the examination in order to be qualified and known as a "public accountant" and shall authorize the said successful candidate to so style himself and to be known as such. A candidate who has passed in one or more subjects shall be re-examined only on such subject or subjects as he shall have failed in. All examination papers shall be preserved for a period of at least one year after each candidate has been notified as to his gradings, and any candidate shall, upon written request to the Department, have access to his papers and observe his grades.

Section 7. The Department of Registration and Education shall charge each candidate for examination a fee of twenty-five dollars (\$25.00). This fee shall be payable by the candidate at the time of filing his application. In the event that the candidate fails to pass the first examination, he or she shall be entitled to sit for another examination, free of charge, if taken within two years after the first examination.

Section 8. Nothing in this Act shall be construed as invalidating any certified public accountant certificate heretofore issued by the University of Illinois, under the prior accountancy laws of this State. The holders thereof shall be governed and controlled by

the provisions of this Act, and by the rules and regulations adopted by the Department of Registration and Education.

Section 9. Any person holding a valid and unrevoked certificate as a certified public accountant, issued by any State or Territory, or by the District of Columbia, who desires to practice as a certified public accountant in this State, may present such certificate to the Department of Registration and Education, together with an application for a certificate of certified public accountant in the State of Illinois. Such application shall be accompanied by a fee of twenty-five dollars (\$25.00) and with such information as the Department may consider necessary as to the character and qualifications of the applicant. If satisfied that the requirements for a certificate in such other State, Territory, or the District of Columbia are equivalent to those of this State, and that the applicant has the qualifications required of an applicant in this State, the Department may issue a certificate as certified public accountant in Illinois, to such applicant without examination. No such certificate shall be issued without examination unless such other State, Territory, or the District of Columbia extends a similar privilege to certified public accountants of this State.

Section 10. The Department of Registration and Education may revoke any certificate issued under this Act, or any prior Act, if the holder thereof, (a) shall be convicted of a felony; or, (b) shall be declared by any court of competent jurisdiction to have committed any fraud; or, (c) shall be declared by any court or commission to be insane or otherwise incompetent. Written notice shall previously be mailed to the holder of such certificate at his last known address, thirty days before any hearing thereon, stating fully the cause for such contemplated action, the names of any and all persons who shall be called as witnesses to testify against him, and appointing a time and place for the hearing. No certificate shall be revoked or suspended until a hearing has been had. A record shall be preserved of the proceedings at such hearing.

Section 11. Nothing contained in this Act shall operate to prevent a certified public accountant who is a holder of an unrevoked certificate issued in compliance with the laws of another State, Territory, or the District of Columbia, from practicing within this State, and styling himself a certified public accountant, provided that he register annually with the Department of Registration and Education and pay the annual license fee, as provided for hereinafter

in this Act. The Department shall prescribe forms of application for such registry, and shall have authority to revoke or suspend such registry in the same manner as is provided for by this Act for the revocation or suspension of certificates and licenses.

Section 12. All persons permitted by this Act to practice in this State as certified public accountants, or as public accountants, shall pay an annual license fee of five dollars (\$5.00) to the Department of Registration and Education, which fee shall be due and payable in advance on July 1st of each year. The Department shall issue receipts for all fees collected, and it shall be unlawful for any public accountant under this Act to practice as such after the expiration of ten days from the date on which such license fee is due and payable.

Section 13. The Department of Registration and Education shall waive the examination and issue a certificate to any person who is a citizen of the United States or has duly declared his intention of becoming a citizen, who resides in the State of Illinois and who applies therefor on or before October 1, 1925, permitting such person to practice as a public accountant, provided that such person, on July 1, 1925, shall be practicing as a public accountant on his own account, or shall have had five years experience in the employ of either a certified public accountant or a public accountant.

Section 14. Nothing in this Act shall prevent the employment by a certified public accountant or public accountant or by a firm or co-partnership of certified public accountants or public accountants of unlicensed employees, if the employees work under the adequate control and supervision of certified public accountants or licensed public accountants, and if the employees do not certify to any one as to the accuracy of any audit or any statement which is the result of an audit, or any accounting investigation which has been executed by such employees. Such unlicensed employees shall not hold themselves out as engaged in the practice of public accountancy.

Section 15. Any person representing himself to the public as having received a certificate or license as provided in this Act, or assuming to practice as a certified public accountant, or public accountant, or to use the abbreviations "C. P. A.," "L. P. A.," or "P. A." or any similar words or letters to indicate that the person using the same is a certified public accountant, public accountant or licensed public accountant, without having complied with the terms of this Act, or any person having re-

ceived a certificate or having been registered as provided in this Act, and having thereafter been deprived of such certificate or registration by revocation or suspension, as provided in this Act, who shall continue to practice as a certified public accountant, or public accountant, shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall be fined a sum not to exceed two hundred dollars (\$200.00) for each offense.

Section 16. Nothing contained herein shall be considered as prohibiting certified public accountants, or public accountants of other States, Territories, or the District of Columbia, from practicing in this State in pursuance of any engagement originating from without this State, provided that such accountant register with the Department of

Registration and Education and pay the annual license fee of five dollars (\$5.00).

Section 17. "An Act to regulate the profession of public accountants," approved May 15, 1903, as amended, is repealed.

San Francisco has an aerial cab service provided by the Checker Air Service Company. Having called the cab company on the telephone, the air cab passenger will be picked up five minutes later at his office or home, whisked to Crissey field near the city; transferred to the air cab with motors running, and shot through the air at 100 miles an hour to a flying field in the city of destination, where another land cab will be waiting to rush him to his

hotel or appointment—all for 20 cents a mile for each passenger, when there are two flying in the same direction.

According to the schedules, a San Francisco business man will be able to get from his office to Sacramento in one hour, to Los Angeles in four hours, and to intermediate cities in proportional time.—"The Nations' Business," May, 1925.

The Son of a Fisherman.

"Are we goin' to keep him?" asked Bobby, after a close inspection of his new baby brother.

"Of course. Why not?" asked the mother.

"Well, he's so small, I thought maybe we'd have to put him back."—The American Legion Weekly.

ANALYSIS, DISCUSSION AND SOLUTION, PROBLEM NO. 10 OF ACCOUNTANCY PAPER; NORTH CAROLINA C. P. A. EXAMINATION, JUNE, 1925

(Published in this issue)

By John B. Tanner, C. P. A. (Ohio and Wisconsin), President of International Accountants Society, Chicago Illinois

PROCEDURE OF SOLUTION

This problem is readily recognized as being of that type which calls for the preparation of the usual financial statements from a trial balance and supplementary statement of facts.

Candidates who are accustomed to handling such problems by the use of working sheets will attack the problem by setting up a working sheet with columns for the Trial Balance, the Manufacturing Cost Statement, Profit and Loss Statement, and Balance Sheet.

The outstanding complication of the problem is found in the handling of Feed. Wheat and Corn are to be credited and Feed is to be charged with the husks, given in the problem as 10 per cent of the products that are put into process. The profit resulting from this handling of the Feed Accounting is prorated to the two divisions of the manufacturing, flour and meal, on an agreed basis, which is the same as the basis for the division of the Expenses.

So the first step in handling the Feed profit is to determine the percentages of Expenses which are to be assigned to Flour and Meal, respectively. The problem furnishes the production of flour in barrels and the production of meal in bushels and it is necessary to place these products on an equivalent basis of unit measurement. For this purpose the problem states that six bushels of meal shall be taken as the equivalent of one barrel of flour. On this basis 46,368 bushels of meal may be considered as 7,728 barrels and the prorating calculated as follows:

Flour	24,472 barrels
Meal	7,728 barrels
Total	32,200 barrels
Flour	76%
Meal	24%
Total	100%

The problem also states that none of the Expenses are to be charged to Feed, so when the Sales of Feed and the charges for husks have been taken into the accounting, the resulting profit may be prorated to flour and meal on the foregoing basis.

With this feature of the problem completed, the preparation of the Manufacturing Cost Statement and the Profit and Loss Statement is largely a matter of deciding which items shall be treated as Manufacturing Costs and which shall be treated as Expenses in the Profit and Loss Statement, and of prorating the items as between Flour and Meal.

There might be some question as to whether such items as Selling Expenses and General Administrative Expenses should be prorated between Flour and Meal. The problem requires a Profit and Loss Statement divided as to Flour and Meal. This might mean that only the Gross Profit shown on the Profit and Loss Statement should be set up to show Flour and Meal separately and that the Expenses included in the Profit and Loss Statement should not be prorated. But the wording of the problem which speaks of the "Expense Accounts as appearing on the Trial Balance" supports the idea that all expense accounts should be prorated as between the two products.

The Carolina Milling Company BALANCE SHEET December 31, 1924

ASSETS			
Current Assets:			
Office Contingent Fund.....		\$200.00	
Cash in Bank.....		7,006.70	
Accounts Receivable:			
Customers	\$36,637.39		
Officers and Employees...	410.00		37,047.39
Inventories:			
Flour	15,787.95		
Meal	2,295.52		
Feed	11,686.00		
Wheat	18,029.38		
Corn	12,418.08		
Self-rising Ingredients...	3,956.18		
Bags	8,437.24		72,610.35
Total Current Assets...			\$116,864.44
Fixed Assets:			
Mill Site.....			11,300.00
Mill Buildings.....	30,000.00		
Less—Reserve for Depreciation	1,500.00		
			28,500.00

Mill Machinery and Fixtures	\$46,596.42	
Less—Reserve for Depreciation	3,450.91	
	<u>\$43,145.51</u>	
Electrical Equipment in Mill	3,000.00	
Less—Reserve for Depreciation	225.00	
	<u>2,775.00</u>	
Office Furniture and Fixtures	1,094.55	
Less—Reserve for Depreciation	259.25	
	<u>835.30</u>	
Warehouse Furniture and Fixtures	130.65	
Less—Reserve for Depreciation	28.53	
	<u>102.12</u>	
Salesman's Car	1,911.50	
Less—Reserve for Depreciation	1,433.64	
	<u>477.86</u>	
Delivery Truck	2,221.70	
Less—Reserve for Depreciation	462.86	
	<u>1,758.84</u>	
Total Fixed Assets		\$88,894.63
Deferred Charges:		
Prepaid Insurance	469.66	
Prepaid Interest on Notes Payable	313.72	
		<u>783.38</u>
Total Deferred Charges		783.38
Other Assets:		
Payments on Building and Loan Stock		<u>10,000.00</u>
Total Assets		<u>216,542.45</u>

LIABILITIES

Current Liabilities:		
Notes Payable	65,200.00	
Accounts Payable	11,998.42	
Accrued Interest Payable	314.92	
	<u>77,513.34</u>	
Total Current Liabilities		77,513.34
Fixed Liabilities:		
Real Estate Mortgage	10,000.00	
	<u>87,513.34</u>	
Total Liabilities		87,513.34

NET WORTH

Capital Stock	75,000.00	
Surplus, 1/1/24	53,069.98	
Net Profit for 1924	959.13	
	<u>54,029.11</u>	
Total Net Worth		129,029.11
Total Liabilities and Net Worth		<u>216,542.45</u>

The Carolina Milling Company MANUFACTURING COST STATEMENT for the year ending December 31, 1924

FLOUR	Total.	Per Bbl.
Wheat:		
Inventory, January 1, 1924	\$30,192.12	
Purchases	201,103.21	
	<u>231,295.33</u>	
Inventory, December 31, 1924	18,029.38	
	<u>213,265.95</u>	
Cost of Wheat	213,265.95	
Less—10% (husks)	21,326.60	
	<u>\$191,939.35</u>	\$7.843
Net cost of Wheat		
Self-rising Ingredients:		
Inventory, January 1, 1924	240.77	
Purchases	5,367.79	
	<u>5,608.56</u>	
Inventory, December 31, 1924	3,956.18	
	<u>1,652.38</u>	.067
Cost of Self-rising ingredients	1,652.38	.067
Bags Expense (see Statement of Bags Expense)	13,895.33	.568

Manufacturing Expenses:		
General Manufacturing Expenses	\$12,183.49	
Depreciation:		
Mill Building	380.00	
Mill Machinery	882.72	
Electrical Equipment	57.00	

Total Manufacturing Expenses	\$13,503.21	\$0.552
------------------------------	-------------	---------

Less—By-Product Profit (see Statement of Feed Profits)	26,868.23	1.098
--	-----------	-------

Cost of Manufacturing Flour (24,472 Bbls.)	194,122.04	7.932
--	------------	-------

MEAL

Corn:		
Inventory, January 1, 1924	2,100.00	
Purchases	59,552.08	
	<u>61,652.08</u>	
Inventory, December 31, 1924	12,418.08	
	<u>49,234.00</u>	
Cost of Corn	49,234.00	
Less—10% (husks)	4,923.40	

Net Cost of Corn	44,310.60	.955
Bags Expense (see Statement of Bags Expense)	4,388.00	.095

Manufacturing Expenses:		
General Manufacturing Expenses	3,847.42	
Depreciation:		
Mill Building	120.00	
Mill Machinery	278.76	
Electrical Equipment	18.00	

Total Manufacturing Expenses	4,264.18	.092
------------------------------	----------	------

Less—By-Product Profit (see Statement of Feed Profits)	8,484.70	.183
--	----------	------

Cost of Manufacturing Meal (46,368 Bu.)	44,478.08	.959
---	-----------	------

STATEMENT OF BAGS EXPENSE

Inventory, January 1, 1924	4,694.95
Purchases	22,025.62
	<u>26,720.57</u>
Inventory, December 31, 1924	8,437.24
	<u>18,283.33</u>
Cost of Bags	18,283.33
76% to Cost of Flour	13,895.33
24% to Cost of Meal	4,388.00
100%	<u>18,283.33</u>

STATEMENT OF FEED PROFITS

Sales	50,997.93
Less—Cost of Feed Sold:	
Inventory, January 1, 1924	1,081.00
Wheat Husks (10%)	21,326.60
Corn Husks (10%)	4,923.40
	<u>27,331.00</u>
Inventory, December 31, 1924	11,686.00
	<u>15,645.00</u>
Cost of Feed Sold	15,645.00
Profits on Feed	35,352.93
Credit 76% to Cost of Flour	26,868.23
Credit 24% to Cost of Meal	8,484.70
100%	<u>35,352.93</u>

The Carolina Milling Company PROFIT AND LOSS STATEMENT for the year ending December 31, 1924

FLOUR		Total.	Flour.	Meal.
Sales	\$187,438.01			
Cost of Flour Sold:				
Inventory, January 1, 1924.....	\$3,758.25			
Cost of Manufacturing (From Manufacturing Cost Statement).....	194,122.04			
	197,880.29			
Inventory, December 31, 1924.....	15,787.95			
Cost of Flour Sold.....	182,092.34			
Gross Profit on Flour.....		\$5,345.67	\$5,345.67	
MEAL				
Sales	62,814.83			
Cost of Meal Sold:				
Inventory, January 1, 1924.....				
Cost of Manufacturing (From Manufacturing Cost Statement).....	44,478.08			
	44,478.08			
Inventory, December 31, 1924.....	2,295.52			
Cost of Meal Sold.....	42,182.56			
Gross Profit on Meal.....		20,632.27		\$20,632.27
Total Gross Profit.....		25,977.94	5,345.67	20,632.27
EXPENSES				
(Prorated 76% to Flour and 24% to Meal)				
Selling Expenses:				
General Selling Expenses.....	8,803.41			
Depreciation on Salesman's Car.....	477.88	9,281.29	7,053.78	2,227.51
Warehouse and Delivery Expenses:				
General Warehouse and Delivery Expenses.....	3,925.11			
Depreciation:				
Warehouse Equipment.....	10.93			
Delivery Truck.....	462.86	4,398.90	3,343.16	1,055.74
Administrative Expenses:				
General Administrative Expenses.....	11,241.97			
Depreciation on Office Furniture and Fixtures.....	96.65	11,338.62	8,617.35	2,721.27
Total Expenses.....		25,018.81	19,014.29	6,004.52
SUMMARY				
Total Gross Profit.....		25,977.94	5,345.67	20,632.27
Total Expenses.....		25,018.81	19,014.29	6,004.52
Net Profit (or * Loss).....		959.13	*13,668.62	14,627.75

PRELIMINARY PROGRAM

The Fourth Annual Meeting of The American Society of Certified Public Accountants, September, 1925

Headquarters and Meeting Place, Hotel Jefferson, Richmond, Va.

Wednesday, September 9, 1925.		11.30 A. M.—General Discussion of Mr. Springer's Report.	tee on Relations with State Societies, Committee on Ethics, Committee on Professional Education.
10.00 A. M.—Directors Meeting.		12.00 M.—Adjournment.	
12.00 M.—Adjournment.		Thursday Afternoon and Evening.	
No meeting in afternoon.		Entertainment by the Virginia Society of Public Accountants.	3.00 P. M., 3.15 P. M. Speakers to be announced later.
Thursday, September 10, 1925.		Friday, A. M.—September 11, 1925.	
9.00 A. M.—Registration.		10.00 A. M., 10.30 A. M., 11.00 A. M., 11.30 A. M.	3.45 P. M.—General Business.
10.00 A. M.—Invocation.		Speakers to be announced later.	5.00 P. M.—Adjournment.
10.00 A. M.—Address of Welcome.		12.30 P. M.—Adjournment.	7.30 P. M.—Banquet at Hotel Jeffer- son.
10.10 A. M.—Report of President.		Friday, P. M.—September 11, 1925.	
Report of Treasurer.		2.00 P. M.—Committee Reports:	Speakers to be announced later.
Report of Secretary.		Committee on Publication, Commit-	11.00 P. M.—Adjournment.
11.00 A. M.—Report of Mr. D. W. Springer, the Chairman of the Legislative Com- mittee.			Saturday, September 12, 1925.
			10.00 A. M.—Organization Meeting of New Board of Directors.

EMPLOYEE GOOD-WILL IN THE BALANCE SHEET

(Policyholders' Service Bureau, Metropolitan Life Insurance Company)

FOR the first time in the history of American business, as far as we know, an attempt has recently been made by a corporation to capitalize as a balance sheet item the value of the intangible known as employee good-will. The Nashville, Chattanooga and St. Louis Railway at a hearing before the Interstate Commerce Commission on the subject of the capital value of its properties, requested allowance for good-will as a going concern including employee good-will, and asked that it be capitalized at 10 per cent of the tangible value of its physical operating properties. The railway's counsel, Fitzgerald Hall, explained its claim in a letter to the Metropolitan Policyholders' Service Bureau as follows:

"Our railroad has been operating over seventy-five years under the same management. It was conceived by local men and has been run all the time by local men. Great numbers of our employees are simply following in the footsteps of their families in working for us. In many communities every man in certain families has worked for our company and is doing so. Except for short periods during the Civil War and the Great War, we have been able to earn a reasonable profit every year. We uniformly put a very substantial portion of this back into the property. We enjoy a reputation for efficient, safe, courteous service.

"Under these conditions it occurs to me that the value of our properties is something substantially more than the mere value of the 'bare bones' of the plant. In other words, good-will, going-concern, established patronage, efficient personnel, add as a matter of fact a substantial value, a value that financiers recognize and a value that would be recognized in the purchase and sale of the property. We shall take the position that 10 per cent of the value of all of our physical operating properties may very properly and conservatively be added to cover our intangible values."

Mr. Hall had noticed with interest the Policyholders' Service Bureau publications on the subject of personnel relations on the railroads and asked whether the Bureau would support the position of the railroad before the Commission with respect to the capital value of the employee good-will. Because the Metropolitan through its group insurance activities is witnessing a remarkable growth of effort on the part of American business to reduce

losses accruing from poorly adjusted employee relations, with a resulting recognition of the value of stable and cooperative work forces, the Bureau agreed to prepare a memorandum for the railway on the subject and to submit it in substance by verbal testimony.

On May 11 last an officer of the Metropolitan testified before the Valuation Section of the Interstate Commerce Commission to the effect that good industrial relations between an employer and his employees as evidenced by "low rate of turnover, length of service and employee zeal" reflected a condition which numerous well-managed enterprises sought to achieve by diverse activities, involving expenditures of funds, such as employment and personnel departments, profit sharing, pension and insurance plans and, therefore, were of obvious advantage to the railway not only in reducing operating expenses but in promoting good public relations, maintaining a steady supply of labor and thus contributing to the permanent success of the business.

The situation on the N., C. & St. L. is quite remarkable with respect to several features of its employee relations. There are roughly 10,000 men engaged in the operation of the railroad. A census was recently taken of 8,379 of them. Of these there have been with the company—

Twenty years or more..	21 per cent.
More than ten years,	
but under twenty....	22 per cent.
More than five years,	
but under ten.....	19.75 per cent.

The annual turnover for all employees in 1924 was 33.6 per cent. Excluding shop employees and common labor it was 10.21 per cent.

This same census showed that 45.78 per cent of the railway employees have now or have had relatives in the service. In many communities practically every man has at one time been associated with the railroad.

Counsel for the Commerce Commission on cross-examination made the point that whatever benefits the railroad secured from its contented family of employees were shown in costs and, therefore, reflected in earnings. Thus he argued the claim for inclusion in the official value of the property of any items for this intangible asset was not permissible.

A Question of Reputation.

The question seems to us to be broader than that. A railway is not merely a

matter of rails, roadbed and equipment. It is also an organization and a reputation. Without organization and reputation the rails and roadbed are junk and real estate merely. The most difficult element to supply for any business is an effective organization. It is not uncommon outside the field of railway valuation for business to place a definite value on good-will consisting of reputation, ability of partners and like intangibles. No public company has avowedly capitalized its good industrial relations, except to a limited degree as by selling stock at pegged prices to employees.

The questions raised in the claim of the N., C. & St. L. are interesting, and may be of far-reaching importance. The decision of the Commission is awaited with keen interest. The railway is having printed, for distribution to railway executives, the testimony and brief prepared by the Policyholders' Service Bureau. We shall be glad to secure copies for interested group policyholders on request.

CALIFORNIA AND SOUTHERN STATE READERS TAKE NOTICE—Correspondence is invited with Public Accountants by a Certified Public Accountant (N. Y.) with a view to joining their staff as Supervisory Accountant in the Field, Editor of Reports, Manager, etc., Los Angeles, Calif., or Florida preferred.

Eighteen years proved practical professional experience with Chartered and Certified Public Accountants, Individual Practice in States of New York, Illinois, Minnesota, Kansas and Oklahoma dealing in many classes of accounts and reporting upon same, Income Tax Procedure, etc.

Member of The American Society of Certified Public Accountants. Registered with Treasury Department and U. S. Board of Tax Appeals.

Highest testimonials as to ability, honesty and standing. Kindly reply in some detail. Address Box 117, The Certified Public Accountant.

NOTICE OF EXAMINATION — The State Employment Commission of Maryland will hold an examination for the position of Chief Auditor, Public Service Commission, on Saturday, August 8, 1925. Salary, \$3,600-\$4,200 a year. Apply State Employment Commission, 22 Light Street, Baltimore; telephone, Calvert 2200.

STATE SOCIETY NEWS

Connecticut

The Connecticut Society of Certified Public Accountants has admitted R. G. Rankin, C. P. A., with offices in Bridgeport, New York and Washington, D. C., to fellow membership and Walter A. Musgrave of Danielson, Conn., to associate membership.

District of Columbia

The Board of Governors for the District of Columbia Institute of Certified Public Accountants met on July 7, 1925, and elected the following officers for the year ending May 31, 1926: President, James A. Councilor; Vice President, Edward M. Tyler; Secretary-Treasurer, C. Vaughan Darby.

Pennsylvania

Under the auspices of the Committee on Education of the Pennsylvania Institute of Certified Public Accountants, a C. P. A. "Quizz Class" has been arranged for eight weeks beginning September 4th, 1925. The following lecturers have been secured: Edw. P. Moxey, Jr., Ph. D., C. P. A., Professor of Accounting, Wharton School, University of Pennsylvania; Clarence N. Callender, A. M., Ph. D., Attorney at Law and Assistant Professor of Business Law, University of Pennsylvania; Robt. J. Bennett, C. P. A., Secretary of the Pennsylvania Institute of Certified Public Accountants.

The classes will be held on Monday, Wednesday and Friday evenings of each week from 7 to 9 o'clock, Monday and Fridays being devoted to Accounting and Wednesdays to Business Law.

A charge of \$50 will be made for the course, and \$5.00 extra to cover the expenses of preparing the lecture notes.

The course is open to accounting seniors and candidates for the C. P. A. examination and to those who are capable of meeting the requirements. It will be a thorough and intensive review of the field of sub-

jects prescribed by the Board of Examiners of the State of Pennsylvania. For further particulars and a registration blank address Edward P. Moxey, Jr., Real Estate Trust Building, Philadelphia, Pa., or R. J. Bennett, Land Title Building, Philadelphia, Pa.

PERSONALS

The Coast Banker for June, 1925, carries an article on "The Immorality of Taxing Government Obligations," by William Dolge, C. P. A., San Francisco, Calif. Mr. Dolge, who is a member of the American Society, is Secretary of the California State Board of Accountancy and President of the California State Society of Certified Public Accountants. Mr. Dolge makes a very strong case against the taxation of governmental securities.

The following is quoted from the Commercial News Record for July 1, 1925:

"'Oh, I leave that to my accountant,' said the big business man and therein he told a whole story.

"The public accountant of to-day is an efficiency expert, a legal advisor, a tax expert and guards the coffers of big business. He is to the commercial world what the doctor is to the human. The business man of to-day, engrossed with the sales and manufacturing end leaves his business in the hands of the accountant and the C. P. A. well merits the trust that is given him.

"At the Kinney Building, 790 Broad Street, Newark, N. J., are the offices of Frank G. Du Bois, C. P. A. Mr. Du Bois is certified in the State of New Jersey and the State of New York and is a member of such honorable technical societies as the American Society of C. P. A's., American Institute of Accountants, Society of C. P. A's. of New Jersey and the Arbitration Society of America. Mr. Du Bois

is recognized as a mathematical wizard and possesses a keen intellect that enables him to solve the most difficult problems of the business world. He has handled with great success the tax problems, both income and internal revenue and his deductions may be used as the option of an expert.

"Mr. Du Bois has been a keen student of commercial methods and more than one manufacturer and merchant appreciates the removal of the red ink figures in the ledger due to his suggestions. Keenly alert to errors and leakages he has helped the ship of business safely reach a desirable port.

"Accountants are as indispensable to a well run business as a captain is to a ship. Some firm strong hand is necessary to hold the helm and guide it safely past destroying rocks and treacherous shoals. We can think of no better man to steer the commercial vessel than Frank G. Du Bois of 790 Broad Street, Newark, N. J."

Observing the Amenities.

An Irishman came home one night with a black eye, broken nose and a split lip. "Tim Sullivan done it," he told his wife as she began to bathe his wounds.

"Shame on you," she replied, "being licked by a bard-drinking cockroach like Tim. Why he——"

"Nuff said. Don't spake evil of the dead."—The Kablegram.

IN MEMORIAM

Robert Burns Benedict, C. P. A. died at his home, 129 W. Seventeenth Street, Oklahoma City, on June 21, 1925.

Mr. Benedict began practice as a public accountant in 1901 and was the holder of Oklahoma C. P. A. certificate No. 12, granted on May 15, 1918. At the time of his death he was a member of the firm of Benedict & Miller with offices at 531 Liberty National Bank Building, Oklahoma City. Mr. Benedict was a member of the American Society of Certified Public Accountants.

STATE BOARD NEWS

Colorado

The State Board of Accountancy of Colorado announces the following applicants were successful in the May examination and have been granted C. P. A. certificates:

William Edwin Durham, 722 U. S. National Bank Bldg., Denver, Colo.

Warren Bert Hillman, 65 Logan Street, Denver, Colo.

Harry William Nelson, 2060 Elm Street, Denver, Colo.

Indiana

The Indiana State Board of Certified Public Accountants issued C. P. A. certificates to the following on June 17, 1925:

Charles Muzzy, 2321 N. Alabama Street, Indianapolis, Ind.

Herman W. Meyn, 500 S. Seventh Street, Maywood, Ill.

John A. Hutter, Jr., Room 1248, 29 S. La Salle Street, Chicago, Ill.

Walter A. Graf, 1524 E. 85th Place, Chicago, Ill.

George W. Bowden, P. O. Box 543, Davenport, Iowa.

Alfred H. O. Erickson, 3010 South Dakota Avenue N. E., Washington, D. C.

Farrey N. Wild, 123 E. Market Street, Indianapolis, Ind.

Lawrence A. Hohmann, 1765 Que Street N. W., Washington, D. C.

Ida Siefker, 525 Ind. Trust Building, Indianapolis, Ind.

Jas. C. Walsh, 145 S. Emerson Avenue, Indianapolis, Ind.

Chester E. Hathaway, 3500 Montana Avenue, Westwood, Cincinnati, Ohio.

Andrew R. MacMannis, 1403 Decatur Street N. W., Washington, D. C.

James C. Olin, 4423 Winthrop Avenue, Indianapolis, Ind.

Thomas J. Fleming, care of Almes & Dorpke Co., Cincinnati, Ohio.

James H. Clark, 3041 Bladensburg Road N. E., Washington, D. C.

Chas. F. Sipple, 842 W. Seventy-eighth Street, Chicago, Ill.

Allan C. Muddiman, 901 Smith Building, Washington, D. C.

Geo. S. Rieg, 6546 Woodlawn Avenue, Chicago, Ill.

Paul D. Bonning, 3935 Seventh Street N. W., Washington, D. C.

Frank J. Walsh, 923 Live Stock Exchange, Kansas City, Mo.

Wisconsin

The Wisconsin State Board of Accountancy has issued C. P. A. certificates to the following:

Walter Sanderson, 1101 Lund Bank Building, Kansas City, Mo.

Paul O. Dittmar, 108 S. La Salle Street, Chicago, Ill.

Linwood E. Corson, 616 Law Building, Norfolk, Va.

VISITORS IN WASHINGTON

June 29 to July 27, 1925

A. F. Lafrentz, New York City.

Wm. A. Gillespie, Baltimore, Md.

John P. Vaughan, Charleston, W. Va.

J. S. M. Goodloe, New York City.

H. E. Ludewig, New York City.

B. C. Wallace, Jr., Greenwood, S. C.

Robert A. Wood, Pittsburgh, Pa.

David A. Jayne, Charleston, W. Va.

George E. Dement, Lynchburg, Va.

A. C. Upleger, Waco, Tex.

M. F. Pixton, Atlanta, Ga.

H. G. Slagle, Cleveland, Ohio.

Emanuel Cohan, New York City.

Allen W. Clapp, Atlanta, Ga.

W. Q. Sharp, Jackson, Miss.

Thomas W. Evers, Philadelphia, Pa.

Julius W. Paeske, Los Angeles, Calif.

Earl S. Clark, Providence, R. I.

Henry J. Miller, New Orleans, La.

Frank G. Du Bois, Newark, N. J.

Thomas H. Evans, Detroit, Mich.

Harry Harper, Minneapolis, Minn.

Charles W. Gleason, Cleveland, Ohio.

The Return

I'm broke and tired;

My health's a wreck;

Oh, joyful recreation!

In debt I'm mired

Up to my neck—

I've been on my vacation!

—The American Legion Weekly.

A man in a hurry to get rid of some of his home brew, poured it into the gold fish globe. On his return he discovered that the fish had eaten their way through the globe, had killed the cat, overturned the kitchen stove, and were putting the finishing touches to the family bulldog. — West Point Pointer.

Cannibal Princess: "Mother, I am bringing a man home for dinner."

Cannibal Mother: "Well, don't bring a tough one."—California Pelican.

Seven days without food make one weak.—The Kablegram.

Jacob B. Elkins, New York City.

J. L. Respass, Atlanta, Ga.

Parry J. Barnes, Kansas City, Mo.

Philip J. Warner, New York City.

John J. Elliot, Charlotte, N. C.

George Ridout, Brooklyn, N. Y.

Frank Wilbur Main, Pittsburgh, Pa.

A Careful Invoice.

A motorist, on a long trip, needed some water for his car. He pulled up in front of a farmhouse in a backwoods region, and had just started to make his request when a boy came around the corner of the house.

"Jim," asked the farmer, "did you drive up them cows like I told you?"

"Sure, I did, pop."

"Get 'em all up?"

"Yep."

"Count 'em?"

"Yep."

"How many was there?"

"One."

"That's right."—The American Legion Weekly.

Judge: "You are charged with throwing your mother-in-law out of the window."

Prisoner: "I done it without thinking, sir."

Judge: "Yes, but don't you see how dangerous it might have been for any one passing by at the time?"—Behind the Plow.

Accounting Principles Underlying Accounts Receivable Sold or Assigned to Finance Companies.

By Simon Tipperman, C. P. A. (N. C.), Assistant Treasurer of Fruit & Produce Acceptance Corporation, New York

IN THE last ten years or so finance companies, known also as commercial bankers, have developed a considerable business in discount of Accounts Receivable of manufacturers and wholesalers. Hundreds of millions of dollars of evidences of debt are thus converted annually into "Cash" available for prompt liquidation of accounts payable and advantageous purchases of raw materials and merchandise.

The Accounts Receivable are either assigned as collateral for loans made by the finance company or they are sold outright to the finance company with a guarantee of repurchase of those accounts which are not paid by the debtors at the expiration of a certain period after they become due in accordance with the terms indicated on the invoices. This guarantee is not only a clause in the contract with the finance company, but is represented by a "Guaranty Reserve Fund" which it is necessary to keep with the finance company against uncollected Accounts Receivable. This guaranty reserve fund is created automatically by the finance company from 20 to 25 per cent of the face value of the Accounts Receivable discounted withheld from the proceeds pending collection of the Accounts.

The transactions with the finance companies may be divided into two groups as follows: (a) Sale (or assignment) and release of Accounts Receivable, and (b) Receipt and payment of cash. The release of Accounts Receivable is effected through payment of cash remitted by the debtors or through repurchases, either on account of withdrawal for one reason or another, or through delinquency of the debtors. In order to properly reflect the legal as well as the practical relations with the finance company, the writer is of the opinion that it is necessary to keep the following two accounts in the General Ledger:

ACCOUNTS RECEIVABLE SOLD OR ASSIGNED TO X FINANCE COMPANY.

Dr. Accounts Sold (or Assigned).

Debit with total of Accounts Receivable Sold (or Assigned) to Finance Company. (Corresponding credit to be made to Accounts Receivable Account in the General Ledger.)

Accounts Released. Cr.

(a) Credit with total of Accounts Receivable (Full Invoice Amount) paid by debtors and remitted to Finance Company.

(b) Credit with total of Accounts Receivable repurchased or withdrawn from Finance Company. (Corresponding debit to be made to the Accounts Receivable Account in the General Ledger.)

This Account will show a debit balance representing the total of Accounts Receivable outstanding which

are held by the finance company. All the items in the Accounts Receivable Ledger constituting this total should be indicated with the "Sold (or Assigned) to X Company" stamp provided by the Finance Company. The balance of this account plus the balance of the regular Accounts Receivable Account in the General Ledger should furnish the control figures for the Accounts Receivable Ledger.

X FINANCE COMPANY—ADVANCE ACCOUNT.

(a) Debit with total cash remitted for Accounts Receivable paid. (Corresponding credits to be made to individual Accounts Receivable.)

(b) Debit with cash paid to the finance company on account of repurchased or withdrawn accounts.

(a) Credit with cash advances received from finance company.

(b) Credit with discount deducted by finance company from gross advance.

(c) Credit with cash received from finance company as balance due on guaranty reserve.

This account will show a credit balance representing net cash advance outstanding against the uncollected Accounts Receivable sold to the finance company.

In preparing the Balance Sheet it is recommended, in case of accounts sold, to deduct the balance of the second account from the first as follows:

Accounts Receivable Sold to X Finance Company.....
Less:	
X Finance Company Advance Account
Guaranty Reserve Fund with X Finance Com- pany

The above method is actually in accordance with the facts and is just the reverse of the Balance Sheet of the Finance Company.

PERSONALS

James J. Wilson has resigned as a member of the staff of the District Attorney of the County of New York and will resume his practice of law at 217 Broadway, New York City.

"Financial Crimes Keep Pace With Business," is the title of a short article by A. Geo. L. Baines, C. P. A., Hackensack, N. J. The article, which appeared in a local paper, said among other things:

"The business 'doctor' that prevents and detects fraud which are the diseases that attack and weaken the business body, is the Certified Public Accountant.

"There are invariably some signs discernable to the trained mind indicative of the above-mentioned business losses. It is at this stage that the 'ounce of prevention' may be beneficially applied. Desiring a constant state of business health progressive executives wisely apply to his business the oriental method of employing the physician."

MEMBERSHIP OF THE AMERICAN SOCIETY

(Continued from our July issue)

(Members recorded from June 27th to July 27th, inclusive)

Floyd F. Burchard, 524 Northwestern National Bank Building, Grand Forks, N. Dak.

O. R. McMahon, 190 N. State Street, Chicago, Ill.

Victor O. Lotham, 412 W. Market Street, Louisville, Ky.

John F. Dargin, 68 Edwin Street, Dorchester, Boston, Mass.

F. E. Spieldenner, 2725 Sedgwick Avenue, New York City.

Leonard Marks, 330 Wadsworth Avenue, New York City.

Joseph L. Jonick, 1 Madison Avenue, New York City.

Joseph George Eichenbaum, 1 Madison Avenue, New York City.

George Arthur Smith, 390 Main Street, Worcester, Mass.

Tracy W. Omar, 6 Beacon Street, Boston, Mass.

Hiram B. Haskell, 922 Elm Street, Manchester, N. H.

Max Grossman, 949 Broadway, New York City.

Frank Joseph Pekar, 226 E. Eighty-first Street, New York City.

Frederick James Murphy, 204 City Bank Bldg., Lexington, Ky.

Theodore Banta Cornell, 1508 Commerce Bldg., Kansas City, Mo.

Kenneth John MacDonald, 1633 Euclid Avenue, Flint, Mich.

Arthur E. Cummings, 294 Washington St., Rm. 953, Boston, Mass.

Eugene B. Craig, 468 Shimo Shibuya, Tokyo, Japan.

George H. Emery, 810 Brookside Avenue, Charlotte, N. C.

Harry William Nelson, 1025 First Natl. Bk. Bldg., Denver, Colo.

Albert C. Thompson, 912 Inter-Southern Building, Louisville, Ky.

Myra H. Jones, 2518 Seventeenth Street N. W., Washington, D. C.

Morris C. Troper, 303 Fifth Avenue, New York City.

Reuben R. Robinson, 292 Madison Avenue, New York City.

Edward Andrew Wilde, 2630 Woolworth Bldg., New York City.

Abram Sternberg, care of J. Lee Nicholson & Co., 233 Broadway, New York City.

Louis Handel Huffman, 621 Hippodrome Building, Cleveland, Ohio.

Samuel Leopold, 633 W. State Street, Trenton, N. J.

Max Waldman, 825 Inter-Southern Building, Louisville, Ky.

Herman Nichols, 110 W. Fortieth Street, Room 1503, New York City.

Louis P. Rabinovitz, 20 Fenelon Street, Dorchester, Mass.

C. E. Deatherage, 910 E. Twelfth Avenue, Denver, Colo.

Earl C. Bartow, 4543 E. Sixteenth Avenue, Denver, Colo.

Charles H. Plate, 1401 Boatmens Bank Building, St. Louis, Mo.

Arthur E. Hall, 1725 Lake Avenue, Wilmette, Ill.

Aaron Halper, 347 Fifth Avenue, New York City.

Christian Djourup, 42 Broadway, New York City.

C. Carl Myers, 260 Twelfth Avenue, West, Eugene, Oreg.

Charles Van Zile, 655 Everett Street, Portland, Oreg.

Russell D. Comfort, 1909 Illinois Merchants Bank Bldg., Chicago, Ill.

Theodore Davenport Thomas, 508 Chamber of Commerce Building, Chicago, Ill.

James L. Respass, 709 Atlanta National Bank Bldg., Atlanta, Ga.

Charles P. White, 304 Pacific Building, Manila, Philippine Islands.

Sydney B. Feingold, 210 Slater Building, Worcester, Mass.

A NEW EXPERIMENT

(Continued from page 32.)

laws in every state and political subdivision of the United States, would have been true, but until all states or at least a goodly majority of them shall have followed the lead of Illinois in this matter the Illinois public accountant who holds a certificate issued under the new law will be at a disadvantage when he desires to establish himself in any other state, or when he desires to even on a temporary assignment establish himself as the

holder of a recognized accounting certificate.

The other provisions of the law are of the type which are being inserted in all present accounting legislation. The law itself is certainly fair to all of the men who had complied with the provisions of the old law. It is certainly fair to all of the public accountants who are now in practice. The only point concerning which a question might be raised is as to whether the Illinois public accountants have not chosen the rather hard task of completely changing accounting terminology in the United States. The result will be watched with interest.

In closing, just one word of caution. Those of you who read this article and have had occasion to see a recent copy of the Bulletin issued by the "National Association" should not be unduly worried with regard to the claims there set forth. To read that Bulletin one would imagine that the "National Association" had been responsible for all of the present day legislation. As a matter of fact, speaking from first-hand knowledge with regard to the laws passed in five of the six states which have recently enacted new laws, including Illinois, neither the "National Association" as such, nor the individual members thereof, were factors in either the preparation of the laws or in their passage. The only part they have played in the matter has been in the claims which they have made and which remind one very much of the post-election pronouncements of the defeated political party in every presidential campaign.

D. W. SPRINGER.

C. P. A. IN "HOLE IN ONE CLUB"

G. S. Gilbertson, one of our golfing members from Fort Smith, Ark., on June 27, 1925, made the first hole (207 yds.) of the golf course of the Fort Smith Country Club "in One." On the same round he had a "Bogey" on the sixth and ninth holes. He says he will be in Richmond on September 10th.

The Washington Hotel

WASHINGTON, D. C.

Pennsylvania Avenue opposite
United States Treasury

Every Room with Bath, Tub, and
Shower

HEADQUARTERS
Certified Public Accountants

S. E. Bonneville, Manager.

I. T. I.



I. T. I.

The only full INDEX to every official authority on federal income taxes—locates *instantly* Laws, Regulations, Rulings, T. D.'s, Court Cases, and Decisions of Board of Tax Appeals.

Small initial cost—nominal for upkeep.

Income Tax Index Service, Inc.
9-15 Clinton St.
Newark, New Jersey.

STANDARD APPRAISALS

Made by Qualified Experts in all lines

Correspondence Invited.

Standard Appraisal Company
90 John Street, New York
Branches, All Principal Cities.

C.P.A. Examinations Review

THE HIGHEST RATING

awarded by the Board of Examiners in the May, 1925, Institute Examinations was received by one of our students. The award was made under the Elijah W. Sells scholarship fund.

The next examinations for the State of New Jersey and for admission to the Institute will be held in November, 1925.

The lectures in preparation for these examinations will be given at the Engineering Building, 25-33 West 39th Street, New York, and will begin on

MONDAY, SEPTEMBER 21, 1925

Preparation for these examinations and for those of other States may be obtained by

CORRESPONDENCE

covering a period of sixteen weeks.

Complete information may be obtained by applying to

C. P. A. EXAMINATIONS REVIEW
Fisk Building, Broadway at Fifty-seventh Street
New York City

C. P. A. EXAMINATIONS REVIEW

Conducted by

HENRY L. SEIDMAN, B. C. S., LL. B., C. P. A. (N. Y.)
and
JACOB BENNETT, B. C. S., C. P. A. (N. Y.)

THE POST-GRADUATE SCHOOL OF ACCOUNTANCY

Founded in 1912

OFFERS

Resident Course in preparation for the New York State C. P. A. examination of January, 1926; this course will begin on Monday, September 28, 1925, and extend to January 20, 1926. There will be three evening sessions of three hours each per week.

Correspondence Course in preparation for the November, 1925, examination begins at your convenience, but should preferably be started on or about July 15, 1925.

Apply for Descriptive Pamphlet,
terms, etc., to

Paul-Joseph Esquerre, C. P. A.
20 Vesey Street, New York City.
Tel. Whitehall 6616.

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 3

SEPTEMBER, 1925

20 CENTS THE COPY
\$2.00 PER YEAR

Good manners and soft
words have brought
many a difficult thing
to pass.

—*Vanbrugh*

DEVOTED TO THE INTERESTS OF THE C. P. A., HIS CLIENT, AND THE PUBLIC WELFARE

BOUND VOLUMES

OF

THE CERTIFIED PUBLIC ACCOUNTANT

WITH COMPLETE INDEX

No. 2—Year 1923 \$5

No. 3—Year 1924 \$5

No. 4—January to June, 1925 \$3

THE CERTIFIED PUBLIC ACCOUNTANT

736 Woodward Building - - - - - Washington, D. C.

The Certified Public Accountant

The Official Organ of the

AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Will Accept a Limited Amount of High-Grade
ADVERTISING MATTER

Statement of Circulation and Advertising
Rates will be furnished on application

THE CERTIFIED PUBLIC ACCOUNTANT

736 Woodward Building - - - - - Washington, D. C.

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 3

SEPTEMBER, 1925

20 CENTS THE COPY
\$2.00 PER YEAR



RICHMOND is ready for the Fourth Annual Convention of our Society. The following program has been arranged:

Wednesday, September 9, 1925

- 10.00 A. M.—Directors Meeting.
12.00 M.—Adjournment.
2.00 P. M.—Assemble at Franklin Street Entrance of Jefferson Hotel for Conveyance to Country Club of Virginia.
2.30 P. M.—Golf Tournament for Men; Bridge and Tea for Ladies at Country Club of Virginia.
4.00 P. M.—Trapshooting, Richmond Gun Club.
Trapshooters will repair to Country Club of Virginia with Golfers and be conducted from there to Richmond Gun Club at 3.30 P. M.
6.00 P. M.—Return to Jefferson Hotel.
8.00 P. M.—Informal Get-together at Jefferson Hotel.
Meeting of all State Representatives.

Golf and Trapshooting Matches.

Golf—Player turning in low gross score will become champion of the Society and holder of Durand W. Springer Cup for the coming year.

The cup becomes the permanent property of the first player who wins it three times.

Prizes will be awarded for low net score and to runners-up.

Green fees courtesy of Virginia Society of Public Accountants.

Registration Cards must be turned in at registration desk not later than 10 A. M. on day of tournament.

Trapshooting—Shooter turning in low gross score will become champion of the Society and holder of the Virginia Society of Public Accountants Cup for the coming year.

Prizes will be awarded to holder of low net score and runners-up.

Registration Cards must be turned in at registration desk not later than 10 A. M. on day of shoot.

Thursday, September 10, 1925

- 9.00 A. M.—Registration.
Registration fee for members, \$10; for guests and friends of members, \$5. This includes ticket for banquet and all other entertainment.
10.00 A. M.—Invocation.
Address of Welcome.
10.10 A. M.—Report of President.
Report of Treasurer.
Report of Secretary.

- 11.00 A. M.—Report of Mr. D. W. Springer, the Chairman of the Legislative Committee.
11.30 A. M.—General Discussion of Mr. Springer's Report.
12.00 M.—Adjournment.

Thursday Afternoon and Evening

- 2.00 P. M.—Assemble at Franklin Street Entrance of Jefferson Hotel for Group Picture and Conveyance to Wharf.
2.30 P. M.—Cast off for Excursion to Westover-on-the-James.
6.00 P. M.—Land for Tour of Westover.
7.00 P. M.—Embark for Return to Richmond.
Buffet Dinner and Dancing on Board.
11.00 P. M.—Arrive Richmond.

Friday A. M.—September 11, 1925

- 10.00 A. M.—
Speakers to be announced later.
12.30 P. M.—Adjournment.
10.30 A. M.—A Shopping Tour has been arranged for the Ladies.

Friday P. M.—September 11, 1925

- 2.00 P. M.—Committee Reports:
Committee on Advertising Department of the Official Organ, Edward R. Burt, Chairman.
Committee on Ethics, A. C. Updeger, Chairman.
Committee on Membership, Alexander S. Banks, Chairman.
Committee on Professional Education, John T. Madden, Chairman.
Committee on Publication, Frank Wilbur Main, Chairman.
Committee on Relations with State Societies, Homer A. Dunn, Chairman.
2.30 P. M.—Sightseeing Tour for the Ladies.
3.15 P. M.—
Speakers to be announced later.
3.45 P. M.—General Business.
5.00 P. M.—Adjournment.
7.30 P. M.—Banquet at Hotel Jefferson.
Speakers to be announced later.
11.00 P. M.—Adjournment.
Saturday, September 12, 1925
10.00 A. M.—Organization Meeting of New Board of Directors.

CONTENTS

	Page.
Program—Fourth Annual Convention	57
Editorials:	
"Prosperity Versus Human Rights"	58
By Frank Wilbur Main, C. P. A.	
"New York Supreme Court Decision"	59
By Frank Wilbur Main, C. P. A.	
"Class Legislation Falls In Minnesota"	59
Historic Richmond	60
"The Lawyer-Accountant and the Accountant-Lawyer"	61
By S. Leo Ruslander.	
"Some Aspects of the Services Rendered by Professional Cost Accountants and Engineers"	63
By Robert Atkins, C. P. A.	
C. P. A. Examination Questions—Virginia	65
New York Supreme Court Decision (Craig et al. vs. Anyon et al.)	70
"Public Accountancy, Ancient Profession"	76
By Herbert A. Wheeler, C. P. A.	
Analysis Problem No. 2, Virginia Examination	77
Newly Elected State Representatives	80
Announcements	81
State Society News	82
Lectures on Tax Board Practice	82
In Memoriam	83
Visitors In Washington	84
Membership List (Continued)	84

THE CERTIFIED PUBLIC ACCOUNTANT

The Official Organ of
The American Society of Certified Public Accountants

Published by The American Society of Certified Public Accountants, Woodward Building, Washington, D. C.

Editor: **WILBUR L. HARRISON**
Business Manager: **F. S. CHAPPELL**

Subscription price per year of twelve issues, \$2.00; twenty cents the copy.

All communications should be addressed to the Editor.

Printed by the Terminal Press, Inc., 923 Eleventh Street N. W., Washington, D. C.

PROPERTY VERSUS HUMAN RIGHTS

FUNDAMENTAL human viewpoints change very slowly with the passing of the centuries. For thousands of years there have been two opposing yet fundamental conceptions more or less at war with each other. The first asserts the supremacy of property rights over human rights, and the second, the supremacy of human rights over property rights. The first has been, and still is, the dominant basis of civilization.

With the passing of the centuries some progress has been made and is being made in elevating human rights over property rights. Germany, under the Kaiser, deified property rights and minimized all others. Soviet Russia, in theory, upholds in an extreme measure, human rights at the expense of property rights. Neither system has worked to advantage but rather emphasized the danger of extremes.

Because we live in a republic we do not always fully appreciate that American civilization is based upon the supremacy in many cases of property rights. Whenever property and human rights come into conflict, property rights usually take the precedence. (Of course there are certain human rights that are fully protected, such as rights to jury trials, religious freedom, free speech within certain limits and like rights.) To illustrate, in case of a strike, our laws protect the employer in evicting his employees from company houses, even although in so doing the health, or even the lives, of mothers and children, born and unborn, may be jeopardized. It is not up to the employer, but rather to public charity, to provide for the evicted.

To illustrate further, not one but hundreds of communities situated on the banks of running streams, are allowed to dump their sewerage into said streams, even although it may mean typhoid and death to those who use the water at points below. The only reason for not properly disposing of the sewerage is the cost and, as against increased taxes and the health

of other communities, many communities choose lower taxes.

Human life is valuable. No man can go out and in anger, jealousy or passion, kill another. The theory on which capital punishment is based is, however, not compensation to the injured but example to future would-be murderers. If, however, a man is a contractor, manufacturer or employer, and due to his failure to spend sufficiently to provide the necessary protection for his employees one is killed, the only measure of damage is a civil or compensatory one. Many manufacturing plants have, therefore, weighed very carefully the question as to whether the cost of installing safeguards is greater than the possible claims through injuries to employees, and based solely on financial grounds have come to a decision. To even suggest that a manufacturer who, through faulty plant arrangement not in violation of any factory law causes death to an employee is guilty of manslaughter, would be radicalism in its extreme form.

The property conception of civilization permeates all of our professions. The successful lawyer is, generally speaking, one who devotes his attention to corporate or property rights. Our whole theory of justice is very largely based, not only upon the integrity, but the supremacy of property rights. This is perhaps necessarily so as otherwise no one would be secure in working to acquire capital. There are lawyers, of course, who devote themselves to human welfare but, like Abraham Lincoln, from a business viewpoint they are more or less failures.

Our own profession, up-to-date, has dealt almost entirely with property rights. The yardstick for the measuring of success has been invariably a property one. The ethics of the profession as promulgated, have been almost exclusively along property lines. Because the accountant deals with property it is but natural that his theory of ethics should be based on the protection of property rights and in particular the safeguarding to himself of his own clients. A minority of accountants have felt that the rights of the accountants who are constantly entering the professional field, were of greater moment than the property rights of those already in the field.

The purpose of this editorial is not to settle the question as to which concept of civilization is correct or as to which conception should be followed by the profession of the certified public accountant.

This editorial does, however, raise the question as to whether the ethics of the profession should be confined solely to the method of preparation of certificates, the name under which the accountant should practice, the manner in which he should make his charge, the manner in which he should obtain his business, and the limitations which should be placed upon him as to the property rights of the older members of the profession, or whether the said ethics should also be permeated with disinterested ideals of

service and helpfulness, not so much to the strong and established, but rather to the less established and younger members of the profession.

Certain it is those who have made the greatest impress on the centuries have largely been men who emphasized the supremacy of human rights. In their day, these great characters have been generally classed as failures.

FRANK WILBUR MAIN.

NEW YORK SUPREME COURT

Digest of decision in the case of Craig, et al., vs. Anyon, et al. Appellate Division of the Supreme Court of New York State, First Department. Decision handed down October term, 1924.

In a recent decision in the Appellate Division of the Supreme Court of New York State, the question of the liability of accountants to respond in damages for failure to discover and report discrepancies in the accounts in charge of a trusted employee was passed upon. The majority opinion held that the accountants were not liable, because the proximate cause of the loss was the trust reposed in the trusted employee by the people who employed the accountants. The majority opinion was by Mr. Justice Martin. A dissenting opinion was filed by Mr. Justice Clarke.

The majority opinion quoted from English cases as follows:

"The duties of auditors must not be rendered too onerous. Their work is responsible and laborious, and the remuneration moderate. I should be sorry to see the liability of auditors extended any further than in *In re London and General Bank*. . . Auditors must not be made liable for not tracking out ingenious and carefully laid schemes of fraud when there is nothing to arouse their suspicion, and when those frauds are perpetrated by tried servants of the company and are undetected for years by the directors. So to hold would make the position of an auditor intolerable." And held:

"We are of the opinion that the loss was not entirely the result of the negligence of the defendants, but also resulted from the careless and negligent manner in which the plaintiffs conducted their business."

The dissenting opinion was as follows:

"The contract of audit was not one merely to discover if inadvertent clerical errors had been made in the bookkeeping, but was one of protection of the plaintiffs' firm from their own failure to find any error in their books of account. This contract the defendants failed to perform. Admitting the neglect of the plaintiffs to discover the embezzlement and falsification of the accounts through an examination of the books on their own part, the defendants' work in pursuance of the contract, owing to the manner in which it was performed, failed to save plaintiffs from the consequences of such failure and neglect—which was the very subject of the contract."

The next appellate court which passes on this question may adopt the view of the dissenting member of the New York Court. Accordingly, it behooves accountants to exercise extraordinary precaution rather than to rely upon the majority opinion above cited.

THE EDITORS.

CLASS LEGISLATION FAILS IN MINNESOTA

ALTHOUGH the following bill which was introduced into the Minnesota Legislature during the past session never came to a vote in the Legislature, it will be of interest to note the type of legislation that may be put forward by a class. It is necessary that a close guard be kept by those interested in maintaining the highest standard possible in State C. P. A. Laws.

A Bill for an act relating to the admission of public accountants to the practice as certified public accountants in the State of Minnesota.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Any person who before July 1, 1926, receives a diploma or certificate from the University of Minnesota, or from any recognized school of accounting certifying that he has completed the full course of instructions prescribed by such school and sustained a satisfactory examination therein, and who served in the military or naval forces of the United States during the World War, and who received an honorable discharge therefrom, and who was disabled therein or thereby, within the purview of the provisions of the act of Congress, approved June 7, 1924, known as the "World War Veteran's Act of 1924," or within the purview of the provisions of the several acts named in and superseded by the said "World War Veteran's Act of 1924," and in accordance therewith has received vocational training and rehabilitation in accounting, shall, upon submission of evidence of said facts and of evidence that he is an adult resident of the State of Minnesota and of good moral character, and has had at least twelve month's experience in accounting, and upon application therefor before July 1, 1926, together with payment therewith of the fee provided for by law, to the State Board of Accountancy, be admitted to practice as a certified public accountant, without examination, and shall be known and styled a "Certified Public Accountant," and shall have appended to his name the abbreviations "C. P. A."; said State Board of Accountancy shall thereupon forthwith issue a certificate entitling said person to practice as a certified public accountant as herein and by law otherwise provided. *Provided further*, That any person who served in the military or naval forces of the United States during the World War and received an honorable discharge therefrom and who has been practicing in this State as a public accountant on his own account for more than three consecutive years immediately preceding the passage of this act, and who shall apply in writing to the State Board of Accountancy within one year after the passage of this act, shall thereupon receive from said board a certificate entitling him to practice as a certified public accountant.

Section 2. This act shall take effect and be in force from and after its passage.

A somewhat similar bill was passed during the same legislative session by which some twenty-four disabled service men have been admitted to the bar without passing the examination required of other candidates. These men were admitted to the bar by the State supreme court over the protest of the Minnesota Bar Association.

GEORGIA BILL FAILS PASSAGE

The Accountancy Bill introduced in the Georgia Legislature passed the Senate, but failed to come up before the House, due to the rush of business at the closing of the Legislative session on August 22, 1925.

Historic Richmond

WHILE Richmond itself is of great interest to members of the American Society of Certified Public Accountants attending the convention there in September, in that it contains, with very few exceptions, more places of historic importance than any other American city, the capital of the Old Dominion is rendered all the more attractive by the fact that it is located close to numerous other points which are enshrined in the hearts of all Americans. Not only is this true from a standpoint of association with events that have marked important steps in the development of our present United States but it likewise relates to numerous places of recreation and great natural beauty.

Within the radius of one hundred miles from Richmond convention delegates can enjoy the mountain resorts of the Blue Ridge, the wonderful scenery and freaks of nature to be found in the Great Valley of Virginia as well as the deep-water fishing, tidewater hunting and the seaside diversions offered by the famous Virginia beaches. And within that area also will be found such historic spots as Yorktown, Mount Vernon, Monticello, Appomattox, Jamestown Island, and numerous others. Richmond offers the best possible headquarters for visiting them and is most accessible to many others, many of which are located along the banks of the James River.

On the Chesterfield County side of the river, and reached via Petersburg Turnpike, is Ampthill, the home of Col. Archibald Cary, chairman of the Virginia Convention Committee, which drafted the Declaration of Rights and the State Constitution, first in America, in 1776. America's first iron works were located here.

Presque Isle is an old plantation, now combined with those of Bermuda and Westbrook, forming one of the finest estates in Virginia.

Deer, turkeys, quail and other game abound on its 400 acres.

City Point was made an Army shipping point during the World War. It was settled in 1620 at the junction of the James and Appomattox Rivers. British troops landed here in 1781, marched to and captured Petersburg. General Grant made his headquarters here and was visited by President Lincoln shortly before Richmond was evacuated.

Hopewell is a World War city, built in a month to house employees of the E. I. DuPont de Nemours Company's Virginia plant. Destroyed by fire in 1915, but speedily rebuilt, it is now a substantial industrial town.

Upper Brandon is one of the original Harrison estates.

Lower Brandon is one of the oldest, most historic and most beautiful homes on the river, as well as one of the finest estates in Virginia. It has been owned by the Harrison family for nearly two

centuries; and was patented in 1635 by Richard Quiney, of London, whose brother married Wm. Shakespeare's daughter in 1616.

Claremont, the 13,000-acre estate of Major William Allen, became the property of J. F. Mancha in 1879, he starting the present village. Many Shipping Board vessels were anchored off Claremont during the first years after the World War.

On the Henrico County side of the river, via Osborne Turnpike, is Powhatan, which is just outside the city limits. It was settled by Major Wm. Mayo, who laid off Richmond and Petersburg in 1725. Tradition has it that here Pocohontas saved the life of Captain John Smith and that Chief Powhatan is buried beneath a huge boulder that is crudely carved.

Tree Hill, a splendid old estate, once noted for its fine race track, is now a modern dairy farm, practicing sound business principles and producing big crops.

(Continued on page 83.)



Solution to this problem will be given in the next issue

The Lawyer-Accountant and the Accountant-Lawyer

The subject was not chosen by, but was assigned to, the writer; therefore it is not undertaken with the confidence expressed by the little girl who, in answer to her mother's inquiry as to what she was drawing, said, "A picture of God." In reply to her mother's statement that she could not draw such a picture, because no one had ever seen God and nobody knew what He looked like, the little girl replied, "They will when I'm through."

With a rush on the part of many accountants to study law, and some lawyers to study accountancy, we are, many persons believe, approaching a time when there will evolve from this combination a new type of lawyer and accountant. Hence the query, "Is there such a difference in the nature of the services performed by the lawyer and the accountant as to make it impracticable for both relations to a client to be embodied in one and the same person?"

There are fundamental differences in the relations between lawyer and client and accountant and client. This is particularly true when we think of the lawyer as defending his client in a criminal case, or in other forms of trial work where technical advantages are sought.

Many ignorant people, from the time of Jack Cade down to the present, have the following idea of the law:

"The law is a sort of hocus-pocus science, that smiles in yer face while it picks yer pocket; and the glorious uncertainty of it is of mair use to the professors than the justice of it."

A good dissertation on the duties and qualifications of a lawyer is found in *In re Bergeron*, 220 Mass. 472, wherein the Supreme Court of that State said:

"* * * The occasions which lead one to seek the assistance of a lawyer often are emergencies in that person's experience which prevent the exercise

By S. LEO RUSLANDER

Attorney at Law, Tax Counsel, Main and Company

of critical discernment in selecting a counsellor. They involve the utmost trust and confidence. In proportion as the client is poor, ignorant, or helpless, and hence less likely to be able to exercise judgment in making choice, the necessity of adequate learning and purity of character on the part of every lawyer increases in importance. Thus the interest of the public is the intelligence and learning of the bar is most vital. Manifestly the practice of the law is not a craft, nor trade, nor commerce. It is a profession whose main purpose is to aid in the doing of justice according to law between the State and the individual, and between man and man. Its members are not and ought not to be hired servants of their clients. They are independent officers of the court, owing a duty as well to the public as to private interests. No one not possessing a considerable degree of general education and intelligence can perform this kind of service. Elemental conditions and essential facts as to the practice of law must be recognized in the standards to be observed in admission to the bar."

The familiar debate as to whether the accountant is engaging in a business or practicing a profession is not unknown to lawyers. There is at least one well-written work by a prominent attorney entitled, "The Law: Business or Profession?" (Author, Julius Henry Cohen.)

The combination practice might, however, bring perplexing problems. Just by way of example; the lawyer can not advertise and the accountant can and does: What would be the path of the new two-horned professional man on this one question?

The writer believes that the average man can not master both professions, and that the necessary work to obtain recognition either as a lawyer or an accountant would preclude success as the other. To qualify for admission to the Bar and to obtain recognition as a law-

yer requires years of study and preparation, and mere admission to the Bar means nothing. The lawyer must serve his apprenticeship, either in handling small cases if he practices for himself, or as a clerk in a law office if he takes the only other alternative, and until he has had this experience and trial work, he is not fitted to specialize in any field, whether it be taxes or admiralty. Having served this apprenticeship, and having fitted himself for the successful handling of important business, he will find it too late to take the steps necessary for success as an accountant.

The same is true of the Certified Public Accountant. The fact that he obtains a degree means nothing. He must have years of actual practice before he is fitted to specialize or handle important business. If he travels this path, he will not have the time or strength for any other.

There are always exceptions to a general rule, and it may be that, in the field of Federal and State taxation, there is room for the lawyer-accountant or the accountant-lawyer, but, as to this, only time may tell. Unfortunately, a love for novelty is abroad and it has become the habit with young accountants and young lawyers to despise the maxims of the old-timers of their professions and to seek short cuts and new paths.

Outside of actual trial work, there are many points in common in the relationship between an accountant and his client and that of the attorney. The law, being the older and better established profession, with the control which courts exercise over attorneys as officers of the court, has a better understood and established code of ethics than accountancy. The lawyer and his client both enjoy the advantage of the legal recognition given to this relationship, in that

communications from the client to his attorney are privileged, while the accountant might be forced, as an unwilling witness, to testify against his client.

It is a question open to debate as to whether the accountant, in the reports that he makes to his client, owes a higher duty to the public and to those to whom his report might be given in the ordinary course of business than does the lawyer who furnishes a written opinion on a legal question. The writer's opinion is that the attorney, who certifies to the validity of a bond issue intended to be sold to the public, owes that public the same duty as does the accountant, who certifies to earnings, assets and liabilities.

The code of ethics that governs the lawyer is, as stated, better defined and more generally understood by both members of the profession and the public than is the case with the accountant. In fact, it is a question whether there is any comparable code which governs the relationships of the accountant to his client and to the public. To illustrate this, let us consider the following examples:

Mr. A, a certified public accountant of reputation, is called upon to prepare from the books and records of the XY Corporation a statement of its financial condition. He is asked to certify that the statement thus prepared is the true financial condition of said company as **shown by its books**. Suppose A believes that the book values shown in his statement are inflated and that the company, although showing a surplus, is, on the basis of probable actual value, insolvent. He knows further that the statement, with his certification, is to be published for the purpose of floating a new issue of stock to be sold to the public. The president of the bank which desires to have the stock sold in order to pay off loans which the bank holds, is the person who has arranged for the services of A and requests that A make the certification, as outlined,

claiming that what is stated is true, viz., the financial condition shown is that set up in the books. He is one of A's most valued assets, from a business standpoint. If A signs such a certificate, has he violated any code of ethics recognized by accountants?

In a recent case, *In re Rossiter*, 84 Pa. Superior Court Reports, 195, the question passed upon was whether Mr. Rossiter, an attorney, could be guilty of contempt of court, because, as attorney for one Thomas Whalen, a defendant on trial charged with manslaughter, and as attorney for two witnesses in the case, he ordered them to refuse to testify, on the ground that their answers would tend to incriminate them. This advice was persisted in after the trial court had ordered the witnesses to testify, as Mr. Rossiter advised the witnesses to disregard the rulings of the trial court. It was held on appeal that Mr. Rossiter was not in contempt of court, as he was bound to act for his client in the most scrupulous good faith and fidelity, and that duty required him to prevent, if he could by legal means, the "disclosure of any fact which may constitute the essential link by which guilt may be established."

Suppose in a like case, involving an embezzlement, Mr. AA, a certified public accountant, was called in by the defendant and shown his books and records, which AA immediately found would prove the guilt of his client. Would he be justified in advising this client and his bookkeeper regarding their future testimony?

The AB Company has erected a large office building in the City of Y. It proposes to sell an issue of first mortgage bonds through the Z Company. The building has been completed and occupied by tenants for three years, and the net income therefrom is less than twice the interest requirements of the proposed bond issue. The AB Company, at the suggestion of the brokers who are to handle the

bonds, engage in what is known in the trade as "window dressing," that is, they form a new corporation with dummy directors and stockholders and call this company the BZ Real Estate Company. The BZ Company then enters into a contract with the owner of the building by which it takes over all existing leases and covenants to pay as rent, annually, for the entire building, for the next three years, a sum which is two and a half times the interest requirements of the bond issue. Mr. A, a certified public accountant, is called in to certify to the fact that, with the rental secured under the contract with the BZ Company, and based on the actual taxes and expenses shown by the previous three years' experience, there will be two and a half times the interest requirements of the bond issue. This certification is to be used in advertising in connection with the sale of the mortgage bonds. If A signs such a certificate, has he violated any code of ethics recognized by accountants?

A, a certified public accountant, has prepared for trial, before the United States Board of Tax Appeals, a case involving the March 1, 1913, value of an office building located in the city of X. He has obtained from the Solicitor's Office a stipulation as to the facts, among which is that, during the year 1913, there were no comparable sales of like property in said city. On the day the case is to be tried, his client brings in a witness named Z, who is to testify as to other features of the case, and who, during the course of a conversation with respect to the testimony that he can give, informs A of a sale of like property during the year 1913, which, if developed at the trial, would materially reduce the value contended for. If A suppresses this testimony, by failing to call Z as a witness as to any feature of the case, has he violated any code of ethics recognized by accountants?

Some Aspects of the Services Rendered by Professional Cost Accountants and Engineers

IT WILL probably be conceded that with the changes which are continually taking place in the industrial world that only those manufacturers who keep pace with changing conditions may reasonably hope to continue in business for any considerable period of time. In this connection it has been appropriately said that "An institution which has long continued must have had something inherently substantial, some permanent excellence interwoven with its activities."

Ordinarily a business can not long survive unless its costs of manufacture are such as to permit the sale of its product, in competition, at a price which yields a profit, and to about the same extent as there exists a definite knowledge of the costs of operation may there exist a confident expectation of its profitable continuance.

The most satisfactory way to ascertain whether or not prompt adjustment to changing conditions is being made in a specific case is to engage accountants and engineers to investigate the methods in use and to report thereon.

It is therefore encouraging to note an increasing tendency on the part of successful executives to supplement their knowledge of the conditions which they believe exist in their plants by an impartial investigation and a report thereon.

In making such investigations there have been found instances where, unknowingly, portions of the products were being sold at a loss, although the business as a whole was earning satisfactory net profits.

Such conditions have given managers and executives a false sense of security and have been the cause of reverses which could have been avoided if they had adapted an

By ROBERT ATKINS, C. P. A.
New York City.

open-minded policy and ascertained the facts.

The daily activities of a consultant in any field are directed to discovery, and remedy of conditions which are considered non-existent by those whose proximity thereto seems to prevent their viewing them in their true proportions.

This "Not being able to see the forest for the trees" has frequently been the cause of conditions arising which never would have arisen had the perspective been broader.

Every forward step in the slow progress of human development has been the result of vision on the part of the few—the very few—and it is only by the development of this faculty to the utmost that one can hope to outdistance his competitors in any field of endeavor.

The solution of a specific problem depends upon several things, probably the most important of them being the proper presentation thereof to one possessing the qualifications required to solve it in a satisfactory manner.

How to determine, with certainty, the proper person to whom to present a specific problem for solution is, sometimes, a problem in itself.

It is a truism that "the laborer is worthy of his hire" and in every case where consulting services are to be engaged the best will always be found the cheapest.

In this connection it may not be amiss to note that the object of securing consulting services of any kind is to supplement an existing service which it is thought can be made more effective.

Whether or not improvement can be made in a particular case is a question which the properly

qualified consultant can answer authoritatively, the only qualification in this connection being that the question be submitted to one whose experience and training fit him to perform the service which is required.

Lest there should exist in the minds of some the thought that the consultant's answer to such a question would invariably be in the affirmative (thereby securing a client) the following incident is recalled, all the facts relating thereto being within the personal knowledge of the writer.

Representatives of a firm of industrial engineers and accountants were discussing the nature of their service with the president of a prominent specialty manufacturing concern.

Having previously found that, almost without exception, they could very materially improve conditions in such plants they offered to make a preliminary survey of the methods and conditions existing in his plant without compensation, deferring to the conclusion of their survey and report thereon, any negotiations for services for which payment was to be made. Their offer was accepted and they made a very thorough preliminary survey and at its conclusion rendered a report in which they stated that in their opinion the methods employed were as near perfect as any they had come in contact with and they complimented those whose efforts had made such a splendid showing possible.

The conclusions reached then have ever since been considered correct and the good reputation of the firm which rendered this report was extended to a degree which one not familiar with the circumstances would hardly believe possible.

It is equally desirable to know where things are going right as it is to know where they are going wrong and the only sure way to ascertain either condition is to have impartial investigations made at convenient intervals.

The only limitation with respect to the employment of consultants is to be sure that they are such and with the many sources from which information on this subject can be obtained there can be no excuse for employing any but well qualified practitioners.

Unfortunately there have been instances in which comparatively large sums have been expended for the services of so-called "experts" whose success at securing such engagements greatly exceeded their performance of the services which were required.

A wide diffusion of a knowledge of the advantages which are obtainable from consulting services would be of decided advantage to those who would profit most by retaining them and it would also be a means of increasing the number of thoroughly competent consultants available for such service.

Comparatively few successfully conducted concerns fail to have periodic audits made of their accounts and the time is fast approaching when a majority of manufacturing firms will take the same attitude toward the services of a cost consultant.

If thoroughly competent representatives of the cost accounting and engineering profession make a thorough investigation of the condition existing in a manufacturing plant, the conclusion embodied in their reports, if acted upon, should be about the nearest approach to profit insurance that has yet been advised.

The smaller manufacturers have not become sufficiently acquainted with the nature of the services which the cost consultant is qualified to render them and such action as they take to remedy existing defects is, therefore, often taken from within rather than from without their organizations.

Even in those instances where the abilities of those who are responsible for the routine work relating to production and cost ascertainment are above the average it will frequently be found that some coordination of departmental activities can be made, with resultant economies, and correspondingly increased profits.

There is nothing quite equal to the application of the best principle of practice by one familiar therewith, who views a particular problem in a comprehensive way.

If given the opportunity, a cost consultant will provide his clients with an advisory service suited to their respective needs and will also keep them informed as to the most advanced methods prevailing in the industry of which they are an integral part.

The ultimate object of all cost finding effort is to lower the cost of production with an expectation of increased profit but in investigating matters relating exclusively to costs there frequently arise matters which at first appear quite foreign to this subject but which upon closer study are found to be intimately connected therewith.

The professional cost consultant will usually be found qualified to deal comprehensively with such matters as incidental to his regular activities.

One of the most important services which a cost consultant can render is in connection with the supplementary work which is necessary after a cost system has been installed. Many well devised and installed systems have later been discarded because those responsible for their proper functioning did not fully understand how to perform the duties which devolved upon them or were unwilling to do the things which were necessary to have the system function properly.

It is now believed by many that we have entered a competitive era that has no parallel in our industrial history. During this period there will, therefore, exist, to a degree greater than ever before, a

need for accurate cost determination.

If as the result of accruing the services of professional consultants the cost of any considerable number of manufacturers can be reduced the effort will be decided worth while.

In connection with the performance of any service which is to be compensated for there naturally arises the question as to the basis of compensation.

It is to be assumed that the parties in interest desire to do the right thing, which is to establish a satisfactory basis for measuring the amount of compensation which is to be paid.

The method of determining the value of a specific service is sometimes a difficult matter, there being no rules thus far enunciated which will meet the requirements in every case.

Fees based upon results appear to be reasonable and fair to all concerned and much can be said in favor of this basis of compensation.

Take the following instance as an illustration:

From a critical inspection of the methods employed in a particular manufacturing plant a cost consultant may feel reasonably certain that if given the opportunity could effect pronounced savings in the cost of manufacture, while those responsible for the methods in use might be equally positive that no appreciable improvements could be made therein.

Under such circumstances an offer by the consultant to render services upon a contingent fee basis, would be justified.

An arrangement of this sort has the utmost possibilities and, in the opinion of many well qualified practitioners, is the most equitable form of arrangement which can be made.

On the subject of compensation the story of the three plumbers is pertinent.

The third plumber was called upon to render services in which

(Continued on page 75)

C. P. A. Examination Questions—Virginia

COMMERCIAL LAW

October 21, 1924, 9.45 A. M. to 1.45 P. M.

Give reasons for all answers. Do not repeat question, but designate them by numbers and letters.

PARTNERSHIP

Answer all of the following questions.

1. Jones and Davis are partners in the mercantile business, and as such they are the owners of real estate of the value of \$25,000. Jones dies, leaving surviving him a widow. The partnership is indebted to the extent of \$20,000. What becomes of the legal title to this real estate?

(a) What is meant by dormant partner, and how far, if at all, is he liable for the partnership debts?

(b) What is a limited partnership, and what are the proper steps to be taken, if any, to protect a person becoming a limited partner?

(c) When, if at all, is real estate held by partners treated as personality?

(d) To what extent, if any, is the real estate of a deceased partner liable for the debts of the partnership. If liable, is the right of any person superior to that of the creditors?

2. A, B, and C form a partnership for the purpose of conducting a mercantile business. A contributes \$5,000 of the capital and B \$2,500 of the capital; C gives his exclusive time and is experienced, while A and B only give a portion of their time. The partnership flourishes and at the end of three years they determine to dissolve. The partnership has on hand \$10,000 undivided profits. How much would each be entitled to receive from the capital and profits respectively?

3. A and B are partners trading as AB & Co. in the conduct of a grocery business. They have a stock of groceries worth \$2,500 and fixtures worth \$1,500. Both are married. They dissolve and the partnership debts, though there are no homestead waiver notes, amount to \$3,000. Each claims his homestead exemption to the extent of \$2,000 in the stock of groceries and fixtures. Is this permissible?

4. A partnership composed of A, B & Co. sold their firm assets to C, who assumes as part of the consideration to pay the firm debts, of which the partnership creditors have actual notice. The debts become due and C fails and refuses to pay.

(a) What are the rights and remedies of the partners A and B against C?

(b) What are the rights of the partnership creditors against either or both A and B, and C?

NEGOTIABLE INSTRUMENTS

Answer four of the following questions.

5. A and B are the joint makers of a note to the Loan & Savings Corporation of the City of Richmond for the sum of \$500. A files a petition in bankruptcy. There are sufficient assets of A to pay the note in full, but the Loan Company negligently fails to prove its claim in the bankruptcy proceedings. Thereafter suit is instituted against A and B by the Loan Company. Can the Loan Company recover against either A or B? Reasons.

6. A executes his negotiable note to B for the sum of \$500 for money due at a game of cards. Before maturity of the note, B sells said note to C for the sum of \$400 and C sells same, before maturity, to D for the sum of \$450. C and D both are ignorant of the fact that the note was given for a gambling debt. The note is not paid at maturity. What are the rights of D against C, and B, and A?

(a) What constitutes a holder in due course of negotiable paper?

(b) What are the defenses, if any, against a negotiable note in the hands of an innocent holder for value?

(c) When is a negotiable note payable on demand due, and within what time must payment be demanded in order to fix the liability of the endorser?

(d) What is the effect of omitting the words "or order" after a payee's name on a note, and, how, if at all, does it affect the note?

7. A requests B and C to endorse a note for him for the sum of \$100. In the upper left hand corner of the note the figures "\$100" were written, the remainder of the note being left in blank. In this condition the note is signed by A and endorsed by B and C. Subsequently, and without the knowledge of either B or C, A changes the figures of "\$100" to "\$500," and fills out the note in proper form, takes it to the bank and has the same discounted. Suit is instituted against B and C by the bank. Can there be a recovery?

8. A is the maker and B, C, and D are endorsers of a negotiable note, which comes to E, a bona fide holder for value, in due course and before maturity. The note is due at the bank on February 22, 1924, and E presents it for payment on the 23rd of February, 1924, and payment is refused. The note is not protested. Can E hold A, B, C, and D liable upon the note?

9. A acquires from B, on the 10th of December, 1923, a note dated December 9, 1922, payable on demand. Is he a holder in due course?

(a) What is the legal rate of interest in Virginia?

(b) May more than the legal rate of interest be charged? If so, under what circumstances, and by whom?

(c) Is a rate of interest of 42 per cent per year permissible in Virginia; if so, by whom?

CORPORATIONS

Answer all of the following questions.

10. The authorized capital of the Peoples Bank of South Hill, Va., is \$15,000. Upon the examination of this bank, it was found that there was a loan made to A for the sum of \$4,000 with endorsers whose financial condition is excellent. Is this a proper loan? If not, state what is necessary.

(a) How may a bank be authorized to do business?

(b) Is it necessary that the Directors take an oath of office?

11. A is the owner of stock in a corporation and pledges it to B. Who has the right to vote this stock in a meeting of the stockholders of the corporation?

(a) What right has a director of a corporation to contract with his company?

(b) What is the general rule as to the authority of an officer of a corporation?

(c) When may a corporation enter into contracts and undertakings which are not strictly within its express powers?

(d) When may a corporation own real estate?

12. The State Bank agreed to take over the note of A for \$10,000 which had previously been discounted by the Union Bank. The note, unindorsed, together with unearned interest was turned over to the State Bank. The Cashier of the Union Bank agreed to take the note up in 30 days. The object of the transfer was merely to reduce the liability of A at the Union Bank. The note was not paid by A. Is the Union Bank responsible to the State Bank?

13. The charter and preferred stock certificates of A Company provide that the holders of the preferred stock should be entitled to accumulative dividends at the rate of 6 per

cent per annum, payable out of the "surplus or net earnings"; the charter further provides that in case of liquidation the holders of the preferred stock "shall be paid the par amount of their preferred shares, and the amount of dividends accumulated and unpaid thereon before any amounts shall be payable to the holders of the common stock." The Corporation is dissolved and B is the holder of \$50,000 preferred stock. Is he entitled to dividends up to date of dissolution, though such dividends were not earned, in preference to any distribution of the assets to the holders of the common stock?

CONTRACTS

Answer five of the following questions.

14. A's automobile is stolen from his garage in the City of Richmond on October 10th. On the morning of the 11th he publishes in the Richmond papers, an offer of reward of \$500 for the capture and return of the machine. On the morning of October 12th, B, of Charlottesville, Va., having seen the offer of reward, meets the thief on the street in Charlottesville, recognizes and captures the car. In the meantime, A has published in the Richmond papers, on the morning of the 12th a withdrawal of the reward. This fact was unknown to B. Can B recover the reward?

15. B compromises a past due note of C for 50 per cent of its face value under the impression that it is barred by the statute of limitations. He afterwards finds that the note was not barred. Can he set aside the compromise on the ground of mistake?

(a) What constitutes a valuable consideration, and in what class of contracts is such a consideration necessary?

(b) What contracts, if any, are required to be in writing?

(c) What contracts of infants are valid?

(d) What is the liability of an infant trader in Virginia?

16. A is engaged in the hardware business. He dies, leaving two insurance policies, one for the sum of \$10,000, payable to his wife and one for \$5,000, payable to his mother. His other assets are \$15,000, consisting of fixtures and stock in trade, and his liabilities aggregate \$20,000. How would the assets be distributed, and assuming that there were no homestead waiver notes, what are the rights of the widow?

17. A writes to B offering him 1,000 bushels of wheat at \$2.20 per bushel f. o. b. Louisa, Va. After the letter is posted, but before B receives it, A dies. B accepts the offer, not knowing of A's death. What rights, if any, has B against A's estate?

18. In making an audit of the affairs of B, a citizen of Richmond, Va., who has been electrocuted for the murder of his wife, you find an insurance policy with the Equitable Life Insurance Co. for \$10,000, payable to B's estate. The policy is silent as to the effect of death by the hand of law as a punishment for crime. Would you treat this policy as an asset?

19. AB & Co. has been engaged in the commission merchant business for a number of years and as such had an account with CD & Co. in a like kind of business. On May 15, 1920, AB & Co. go out of business. When does the Statute of Limitations begin to run on this account, and what is the limitation?

BANKRUPTCY

Answer all of the following questions.

20. (a) How may an involuntary petition in bankruptcy be filed?

(b) What is meant by an adjudication in bankruptcy?

(c) What are the duties of a Referee in Bankruptcy?

(d) What is meant by a preference?

21. You are employed to audit the affairs of AB Co. While you are making the audit a petition in bankruptcy is filed and you are listed as a general creditor. There is due to you \$275. Are you entitled to be paid in full out of the assets?

22. A files a petition in bankruptcy and lists as a liability

the sum of \$300 obtained from B by means of a false financial statement. B institutes suit in the State Court. Is he entitled to prosecute his suit, or is he required to prove his claim in the bankruptcy proceedings?

FEDERAL INCOME TAX

Answer all three of the following questions.

23. In valuing inventories for Federal tax purposes, what is meant by "latest purchase price"?

24. What is meant by "Realization of Appreciation," Act of 1918?

25. A Virginia corporation has the following items of income and deduction for the year 1923:

Gross profits from sales.....	\$25,000
Dividends from U. S. Steel Stock.....	5,000
Proceeds received upon maturity of 20-year endowment life insurance policy upon the life of its president (annual premium, \$825, no interest to be considered).....	10,000
Interest on Federal Farm Loan Bonds.....	1,000
Collection of a bad debt charged off in 1919.....	1,000
Federal tax for 1922.....	2,500
Virginia State income tax for 1921.....	470
Donations.....	1,000
Loss of account receivable through bankruptcy sale made in June, 1921.....	500
What is the Federal Income tax?	

PRACTICAL ACCOUNTANCY—PART I

October 21, 1924, 2.45 P. M. to 7.15 P. M.

PROBLEM 1

You are engaged to make an audit of the Virginia Tobacco Company, Danville, Va., for the year ended December 31, 1923. A Balance Sheet taken from the books is as follows:

ASSETS	
Cash in Bank.....	\$12,342.12
Accounts Receivable:	
Customers.....	226,290.84
Lygrave and Company.....	1,341.50
Consignments.....	76,847.28
Inventories:	
Raw Material.....	2,102.75
Finished Goods.....	186,994.02
Investments:	
Carolina Stemmary Company.....	3,000.00
Lygrave and Company—1,100 Shares Stock at \$100 par value.....	110,000.00
Fixed Properties.....	355,663.18
Total.....	974,581.69

LIABILITIES	
Accounts Payable:	
Creditors.....	\$25,017.35
Leaf Tobacco Company.....	5,116.47
Notes Payable.....	50,500.00
Capital Stock.....	700,000.00
Capital Surplus.....	75,764.10
Net Profits for Year 1923.....	\$134,171.87
Less, Deficit, January 1, 1923.....	15,988.10
Total.....	118,183.77
Total.....	974,581.69

Your investigation discloses that the Company owns the Leaf Tobacco Company, which operates on capital furnished by the Virginia Tobacco Company. A Balance Sheet of the Leaf Tobacco Company as at December 31, 1923, is as follows:

ASSETS	
Cash in Banks.....	\$1,103.44
Accounts Receivable:	
Customers.....	11,544.88
Virginia Tobacco Company.....	5,116.47
Consignments.....	7,114.13
Inventory:	
Finished Goods.....	8,806.31
Fixed Properties.....	5,693.54
Total.....	39,378.77

LIABILITIES

Notes Payable.....	\$25,000.00
Operating Surplus January 1, 1923....	\$6,168.30
Net Profits for Year.....	8,210.47
	<u>14,378.77</u>
Total.....	39,378.77

The Company also owns 1,100 out of a total of 1,112 shares of stock (\$100 par value) in Lygrave and Company, New York importers of teas and silks, which was acquired in 1922 by transferring assets to Lygrave and Company amounting to \$34,235.90. A Balance Sheet of Lygrave and Company as at December 31, 1923, is as follows:

ASSETS

Cash in Banks.....	\$2,348.81
Accounts Receivable:	
Customers	27,654.14
Inventory:	
Finished Goods.....	50,890.86
Due from Subscribers to Capital Stock.....	200.00
Fixed Properties.....	412.50
Good-will	70,327.95
	<u>151,834.26</u>
Total.....	151,834.26

LIABILITIES

Accounts Payable:	
Creditors	\$35,826.42
Virginia Tobacco Company.....	1,341.50
Notes Payable.....	19,340.57
Capital Stock.....	\$111,200.00
Net Loss for Year.....	15,874.23
	<u>95,325.77</u>
Net Capital.....	95,325.77
Total.....	151,834.26

You do not have access to the books of the two latter Companies and rely upon statements furnished by other auditors. You ascertain that in opening the books of Lygrave and Company errors were made in setting up the Inventory Accounts in the sum of \$5,436.15.

Prepare the proper statements to reflect the financial condition of the Companies as at December 31, 1923.

The Allied Tobacco Company was chartered as of January 1, 1924, with an authorized capital stock of \$2,000,000, consisting of 6 per cent Preferred \$1,000,000 and Common \$1,000,000, for the purpose of acquiring the Virginia Tobacco Company, Leaf Tobacco Company, Lygrave and Company.

An agreement was entered into with the stockholders of the Virginia Tobacco Company and Lygrave and Company that they should receive in lieu of their holdings stock in the Allied Tobacco Company as follows:

	Preferred	Common
Stockholders—Virginia Tobacco Company	\$500,000	\$500,000
Minority Stockholders—Lygrave and Company	1,200	1,200
	<u>501,200</u>	<u>501,200</u>
Total.....	501,200	501,200

The remainder of Common Stock was subscribed and sold at par value.

Prepare journal entries necessary to open the books of the Allied Tobacco Company, and balance sheet after posting.

PRACTICAL ACCOUNTANCY—PART I

PROBLEM 2

R. C. Jones conducts a general real estate business, but specializes in opening up new subdivisions. He agreed with R. W. Bryant, that, if Bryant would furnish the capital necessary to buy and develop the Homesite subdivision, he, Jones, would undertake to sell it for their joint account. Jones was to receive no salary for selling the property and keeping the books, but all other selling expenses were to be charged as expense. No allowance is to be made for interest

on partners' balances, but all other expenses are to be charged and the profits divided equally.

On February 1, 1924, they purchased the 20 acres comprising the subdivision at \$3,000 per acre, paid one-half in cash from Bryant's funds and gave a 6 per cent mortgage for the balance. By the terms of the mortgage any part of the property could be released from the mortgage at any time by paying the pro-rata amount.

In February and March the property was improved by grading, etc., at a cost of \$10,000, which was also paid from funds supplied by Bryant.

The property was subdivided into 160 lots of equal size, 80 of which were listed to sell at \$900 and the balance at \$600.

The \$900 lots were sold, 45 in May and 23 in June and 12 were still unsold at June 30. The \$600 lots were sold, 29 in May and 35 in June, leaving a balance of 16 still unsold at June 30. All the lots were sold for one-half cash, and the mortgages for the balance were immediately sold to banks at par without endorsement or guarantee. In each case the lots were released from the purchase money mortgage by payment of the pro-rata amount. The releases were obtained and the payments made on the last of the month in which the sale was made.

The expenses of advertising and selling, amounting to \$11,000, were paid by Jones from the proceeds of the sales, which he had deposited in his own account when they were received. He also made the payments on the mortgage.

Prepare a statement showing the respective interests of the two partners; a statement showing the profits to June 30, 1924; a cash account, and a balance sheet at June 30, 1924.

PRACTICAL ACCOUNTANCY—PART I

PROBLEM 3

The following balances were taken from the general ledger of the Bank and Trust Company of Virginia at the close of business December 10, 1923. Prepare Statement of Financial Condition detailing the Profit and Loss account therein. A dividend of 8 per cent was declared on December 9th payable January 1, 1924. The Undivided Profits Account is omitted.

Loans and Discounts.....	\$500,000
Treasurers' Checks.....	5,325
Bond Adjustment Reserve.....	2,730
Expense	17,600
Capital Stock.....	100,000
Cash	41,375
Due to Banks.....	8,000
Furniture and Fixtures.....	8,650
Certificates of Deposit.....	37,500
Taxes	7,400
Bills Overdue.....	20,000
Exchange Received.....	1,050
Customers Liability Account Acceptances.....	20,000
Reserve for Taxes.....	2,175
Interest Unearned.....	8,725
Customers Draft Collection Account.....	25,000
Banking House and Lot.....	50,000
Surplus	75,000
Christmas Club.....	9,456
Demand Loans.....	100,000
Notes and Bills Rediscounted.....	79,250
Safe Deposit Rentals.....	425
Reserve Bank Accounts.....	36,500
Cash Items.....	5,750
Deposits Subject to Check (Overdraft \$3,825)....	375,000
Demand Loan Interest Accrued.....	3,870
Investments—Stocks and Bonds.....	65,000
Commissions (Trust Department).....	15,750
Interest Earned.....	31,000
Other Real Estate Owned.....	20,000
Savings Deposits.....	140,000
Due from Banks.....	27,350
Acceptances Executed.....	20,000
Checks for Clearings.....	11,675
Dividend Checks.....	150
Interest on Deposits.....	18,300

Certified Checks.....	8,640
Cash Short.....	300
Trust Deposits.....	20,000
Rents Received.....	1,250
Interest Accrued on Deposits.....	12,350

THEORY OF ACCOUNTS

October 22, 1924, 9 A. M. to 1 P. M.

Answer all questions. Do not repeat questions, but designate them by numbers and letters.

1. What, in your opinion, is the proper way to set up "Reserve for Depreciation" on the Ledger and on the Balance Sheet in order to avoid probable miscalculation or misunderstanding on the part of the company or the public? Why?

2. What are the special accounting requirements pertaining to estates of deceased persons?

3. The Economy Installment House sold Mrs. Brown in 1920 a dining room suite that cost them \$200 for \$400. Installment payments were made by Mrs. Brown, as per her contract, amounting to a total of \$100 per year for 1920, 1921 and 1922. In 1923, before any further installments were due, Mrs. Brown departed for Europe and permitted her dining room suite to revert by forfeit, according to the terms of her contract, to the Economy Installment House, who took back the furniture into their stock of merchandise. State what method you would adopt to place a value on the returned furniture for inventory purposes and what entries should be made for each of the four years. Suggest a record so ruled as to adequately provide for installment sales and collections.

4. A contract for construction of a corporation's plant and machinery completely installed is executed to cost in the aggregate \$200,000 and the payment is to be made in one sum within ten days after completion by the contractor and acceptance by the corporation. During the course of construction, the contractor finds that he will need funds at periodic intervals before the date set in the contract for the one and final payment. In consideration of the corporation's making such advance payments, it is mutually agreed that that total expenditure by the corporation shall be reduced to \$190,000. Where should this unexpected saving of \$10,000 be reflected in the books of account? Explain your reasoning.

5. A prospective purchaser of a going concern with which you are familiar engages you to make an examination of its accounts and records and report to him your findings so that he may intelligently reach a decision in the matter of the proposed purchase. What data would you submit in your report?

6. How should the following items be treated on the books:

(a) Expenditures for incorporating, organizing and promoting a new corporation.

(b) Cumulative Preferred Dividends Unpaid.

(c) Expenses incurred in securing a lease of property.

(d) Traveling and other expenses incurred in procuring contracts.

7. By the stipulations of its articles of agreement, a partnership's profits are distributable to its three partners as follows:

A 11-25, B 8-25 and C 6-25, and in the event of the death of either partner his survivors take the deceased partner's share in proportion they already shared the profits. A dies. What proportion of the profits would B and C each take afterwards?

8. The authorized capital stock of a corporation is \$500,000, divided into 5,000 shares, par value \$100. Of this amount, \$400,000 has been subscribed and paid for in full. The corporation purchases ten shares of a dissatisfied stock-

holder for \$75 a share, and five other stockholders each donate five shares to the company. Five shares of the purchased stock and all the donated stock are sold for \$50 a share.

(a) Draft proper entries and show the Ledger accounts and balances. (b) How would the balances of the accounts in (a) appear in a Balance sheet? (c) Give the entries and show the Ledger accounts and balance if the capital stock were of no par value, but 5,000 shares had been issued at \$80 and the other conditions remain as stated in the first paragraph. (d) How would the balances of the accounts in (c) appear in a Balance Sheet?

9. (a) When customers' notes receivable or trade acceptances given a merchant for goods purchased from him are discounted at bank, how should they be handled on the books and why?

(b) What liability, if any, exists as far as the merchant who discounts them is concerned at any particular date when his books are closed?

(c) Should they appear on his Balance Sheet and if so, how?

10. A piano manufacturer has ten customers who take his goods on consignment only, report pianos sold each month, inventory of those on hand, and they remit for those sold.

The manufacturer bills the pianos to them at his regular wholesale price and when they pay him for those sold, they deduct a cash discount of 2 per cent no matter how long they have had them in stock. State:

(a) What entries the manufacturer should make when he ships the goods to the consignees, bearing in mind the fact that they are his property until sold.

(b) What entries the manufacturer should make when he receives the monthly sales records and the checks for the purchase price less cash discount?

(c) Should the manufacturer keep any records besides his regular accounts, and if so, what?

(d) What entries should the consignees make when the pianos are received on consignment and in what records?

(e) What entries should the consignees make when a piano is sold and in what records?

(f) What principles are involved in consignments which are different from those pertaining to straight sales by the manufacturer for cash or on credit?

PRACTICAL ACCOUNTANCY—PART II

October 22, 1924, 2.15 P. M. to 7 P. M.

PROBLEM 4

The Montclare Marl Products Company was incorporated in 1920. The operations for the past two years have shown substantial losses. The officers have financed the Company as far as their resources would permit and being unable to proceed further, the creditors have engaged you to examine the affairs of the Company and report to them in order that they may know whether to proceed with the operations or start proceedings in bankruptcy. The following trial balance was established by you as at December 31, 1923:

	Dr.	Cr.
Cash on Hand and in Banks.....	\$1,751.88	
Accounts Receivable.....	50,000.00	
Notes Receivable.....	10,000.00	
Inventory—January 1, 1923 (80 Tons)	566.00	
Land (Plant Site).....	4,500.00	
Buildings—Plant	38,000.00	
Machinery and Equipment.....	30,000.00	
Investments	8,250.00	
Development (Removing Over-Burden, Etc.).....	12,463.75	
Good-will	25,000.00	
Land and Marl Deposits.....	47,500.00	
Notes Payable.....		\$87,500.00

	Dr.	Cr.
Mortgage Payable (Secured by Real Estate)		10,000.00
Accounts Payable (Including Loans of Officers)		23,680.46
Pay Rolls Accrued		7,337.50
Taxes Unpaid		1,137.50
Reserves for Depreciation—Buildings and Machinery		15,000.00
Surplus		30,831.69
Capital Stock—Common, 10,000 Shares—Par Value, \$10 Each (\$5 paid up)		50,000.00
Capital Stock—Preferred		25,000.00
Sales (6,000 Tons)		36,344.54
Repairs	3,410.20	
Salaries—Salesmen	1,200.00	
Labor	12,614.62	
Advertising	2,638.76	
Fuel	6,469.59	
Telephone and Telegraph	251.66	
Bags and Twine	9,607.17	
Printing and Stationery	414.26	
Supplies	627.42	
Taxes	244.91	
Insurance (Unexpired Portion \$1,820.22)	2,815.53	
Salaries—Officers	1,200.00	
Salary—Superintendent	3,725.00	
Miscellaneous	253.42	
Storage and Freight	2,959.35	
Interest and Discount	6,587.18	
Traveling	2,281.24	
Legal and Auditing	307.76	
Watchman	401.85	
Auto Expense	790.14	
Total	286,831.69	286,831.69

Eight thousand three hundred tons of marl were mined during the year; the depletion charge being 10 cents per ton. There is an estimated shrinkage of 25 per cent in manufacture. Owing to the nature of the engagement no depreciation is to be considered for the period. After preparing Operating Statement and Balance Sheet in accordance with the foregoing, an analysis of the conditions, and information obtained, develops the following facts:

The Good-will, it appears, was purchased by the issue of preferred stock to the officers.

The quality of lime manufactured was said to be inferior, therefore, many disputed customers' accounts are on the books. The value of the Accounts Receivable is estimated as follows: Good, \$25,000; Doubtful, \$12,500; Bad, \$12,500. The Real Estate and Marl Deposits are considered valuable notwithstanding the failure of this Company to operate successfully and would probably bring \$60,000, whereas the buildings are worth only \$20,000. Because of obsolescence and extreme wear and tear the machinery and equipment could not be sold for more than \$2,500. The investments which are pledged as security for certain loans of the officers appear to be of no value. The stock of goods on hand would probably bring cost, but to dispose of it would necessitate the purchase of bags and labor amounting to \$1,000. Fifty per cent of the doubtful accounts are considered collectible; the notes, however, appear to be good. Of the Notes Payable \$20,000 are fully secured by Accounts Receivable pledged there against. The Pay Rolls Accrued and Unpaid Taxes are considered preferential claims.

The Unpaid Subscriptions on the Capital Stock are considered to be worth 75 per cent of the face value.

Customers' Notes to the extent of \$15,000 have been discounted at the bank on the Company's endorsement, on which it is estimated \$5,000 will eventually prove to be uncollectible.

Prepare the necessary statements for submission to the creditors showing separately the position of the unsecured creditors and the stockholders, respectively. Accompany your report with such comments as you deem pertinent.

PRACTICAL ACCOUNTANCY—PART II

PROBLEM 5

From the following figures obtained from the records of the A. B. C. Cotton Mills, at the close of business June 30, 1924, arrange an intelligent statement that will show the percentage of waste for the year.

	Quantities (Lbs.)	Values
Stock in process at beginning of year	15,500	\$4,795.00
Finished yarn on hand at end of year	195,875	60,118.12
Cotton purchases	414,402	151,331.83
Cotton in process at end of year	12,700	2,095.50
Cotton Fed	618,147	268,800.73
Finished yarn on hand at beginning of year	55,815	36,372.55
Shipments for year	401,186	325,335.71
Cotton on hand at beginning of year	591,250	171,719.60
Cotton on hand at end of year	387,505	54,250.70

Based on the results obtained above, show the manufacturing and other costs per pound, arranged in proper order, using the following additional figures:

Manufacturing Expense	\$81,056.24
General Expense	21,226.20
Waste Sales	3,475.19
Interest and Discount	9,136.91
Depreciation on Buildings, Etc.	1,636.00
Other Losses	2,509.74
Other Income	831.39

PRACTICAL ACCOUNTANCY—PART II

PROBLEM 6

A Manufacturing concern started business in Norfolk, Va., on January 1, 1922, but kept its books by the single-entry method.

After the close of the second year of operations it was found necessary to have a comparative statement, and you were called in to make such a statement showing the financial condition as at December 31, 1922, and December 31, 1923, and the amount of any profit or loss, the following information being all there is available from which to draw your conclusions:

STATEMENT AS OF DECEMBER 31, 1922.

(Prepared by the Bookkeeper.)

Manufacturing Expense	\$5,384.25
Capital Stock fully paid	15,000.00
Plant and Equipment	20,000.00
Cash	3,645.15
Gross Sales for year	11,236.15
First Mortgage Bonds (due Dec. 31, 1923)	15,000.00
Material and Supplies (Inventory)	4,563.84
Notes Payable	7,500.00
Accounts Receivable	6,125.36
Accounts Payable	2,936.43
Interest on Bonds (9 Months accrued to Dec. 31, 1922)	562.50
Interest on Notes and Accounts Payable accrued ..	326.50

During the year of 1923 there has been subscribed and paid in cash \$5,000 Additional Capital Stock. All the notes and old accounts payable have been paid, together with the interest accrued as above.

The Board of Directors revalued their plant and equipment in January, 1923, at \$17,500, and directed that of this amount a 5 per cent charge off to depreciation be made and that 2½ per cent be carried to a reserve to cover repairs and renewals. The outstanding Bonds with accumulated interest thereon were paid when due. The Accounts Payable at December 31, 1923, amounted to \$1,146.34, non-interest bearing and were all for material and supplies.

No inventory was prepared as at December 31, 1923. The purchases during the year 1923 paid for in cash amounted to \$10,396.42. The sales during the year were \$28,726.50, of which 10 per cent are still uncollected and considered good. For the purpose of estimating the inventory the management considers the gross profit to be 50 per cent of the sales.

Of the Accounts Receivable at January 1, 1923, the amount of \$5,496.43 was collected, and the balance, you are instructed, are uncollectible and are to be charged off.

No cost system was used by the Company.

Prepare the required statement and submit your working papers.

AUDITING

October 23, 1924, 9 A. M. to 1 P. M.

Answer all questions. Do not repeat questions, but designate them by numbers and letters.

1. A Bank is constructing a 20 story office building, the first floor of which it will occupy. The construction is financed by the sale of \$800,000 Common Stock, \$600,000 Preferred Stock and a First Mortgage of \$600,000. During the period of construction the Building Corporation pays dividends on the Preferred Stock of \$36,000; interest of \$16,000 on Money Borrowed, and State and City Taxes of \$9,000. How would you treat the items of dividends, interest and taxes on the books of the Building Corporation?

2. A Corporation obtained its charter in 1892 and until 1918 all improvements and additions to plant were charged against income. The annual financial statements showed only Current Assets and Current Liabilities. You are engaged to restore the capital, on cost basis, and audit the books for 1917. A well-known appraisal company has made an appraisal of the buildings, machinery and all other equipment. The replacement values at December 31, 1917, less depreciation, reflect a sound value of \$350,000, which is \$150,000 in excess of cost value. The cost values are acceptable to the Treasury Department for invested capital purposes and as the Corporation contemplates floating a \$200,000 bond issue, it is necessary to adjust the books to show actual conditions.

(a) Make the proper journal entries.

(b) Discuss the effect of both valuations as to—

Depreciation, Federal Income Tax, Federal Capital Stock, State Franchise Tax, Surplus and Dividends.

3. How would you verify the following:

(a) Accounts Receivable, (b) Notes Receivable, (c) Plant Assets, (d) Inventory, (e) Prepaid Insurance, (f) Treasury Bonds, (g) Unpaid Federal Income Taxes, (h) Notes Payable, (i) Commitments, (j) Cash, (k) Surplus, (l) Unissued Capital Stock.

4. What is the purpose of the Balance Sheet Analysis? Assuming the "ratio method" to be the correct one, name several ratios that are commonly used in analyzing a Bal-

ance Sheet. In the event you consider the "element of sales" a factor in making a proper analysis, name several ratios that are commonly used. Construct a Balance Sheet, using figures, and draft a short report to your client as a result of an analysis made at his request.

5. You are selected to make an audit of a city with a population of 100,000. An investigation, before proceeding with the engagement, shows that practically all of the records kept with the exception of the minutes are the tax books and receipts and disbursements. You are advised by the officials, however, that they desire statements prepared in the most improved style to be used as a basis for the installation of an accounting system. State in detail how you would proceed to complete the engagement.

6. An audit of a Corporation is under consideration.

(a) How would you show discount on capital stock in the balance sheet? Under what circumstances, if any, would you consider it proper to deduct it from the capital stock on the liability side?

(b) Would you consider the capital stock impaired as long as it carried discount on capital stock in excess of surplus?

(c) Can dividends be declared by the Company if it sold its capital stock at a discount until the discount is extinguished?

(d) What is the fundamental difference between discount on bonds and discount on capital stock?

(e) Do you know of any circumstances that would justify or warrant premiums on capital stock being distributed as dividends?

7. What is Good-will? Name the several ways in which it is usually established on the books of account. Under what conditions would you consider it proper to write it off? A full discussion is desired.

8. What are the usual Sinking Fund Provisions to be found in a Trust Deed securing an issue of bonds of a corporation? Sketch in journal entry form, with proper descriptions, the entries you would expect to find in the accounts of a company relative thereto.

9. (a) What is meant by Factory Burden? Name five methods of distributing Factory Burden and illustrate your answers with the use of figures.

(b) Devise an efficient system of internal check on wages where the employees are paid on (1) A time basis; (2) A piece-work basis.

10. As a matter of policy, what are the duties of an auditor where a difference of opinion exists between himself and his client as to the principles of accounting; also as to the preparation of Federal Tax Returns?

New York Supreme Court Decision

IN CASE OF CRAIG ET AL. VS. ANYON ET AL.

TORTS — ACCOUNTANTS — NEGLIGENCE—PROXIMATE CAUSE

Auditors Can Not Be Held Liable for Not Tracking Out Carefully Laid Schemes of Fraud When There Is Nothing to Arouse Their Suspicion and When the Fraud Is Perpetrated By Tried Servants of a Company and Are Undetected for Years.

APPELLATE DIVISION OF THE SUPREME COURT.

First Department.

October, 1924.

Present: Hons. John Proctor Clarke,

P. J.; Edgar S. K. Merrell, Edward R. Finch, and Francis Martin, JJ.

William R. Craig, Charles Slaughter and Thomas P. Flaherty, appellants-respondents, v. James T. Anyon, Hardman Lever, A. Pyott Spence and Alfred A. Ritchie, impleaded, etc., respondents-appellants.

Appeal by plaintiffs from a judgment of the Supreme Court, New York County, against the defendants Anyon; Lever, Spence and Ritchie for \$2,371.61, in so far as it limits the plaintiff's recovery of damages to \$2,000 and fails

to award to the plaintiffs damages in the sum of \$1,177,805.26, and from an order made upon a motion to set aside the verdict of the jury as to two separate questions, in so far as the order sets aside the part of the verdict to the effect that the damages to the plaintiffs, resulting directly and proximately from the negligence of these defendants in the performance of an agreement with the plaintiffs, amounted to \$1,177,805.26.

Also appeal by the defendants Anyon, Lever, Spence and Ritchie from said

judgment in so far as it permits the plaintiffs to recover \$2,000 and costs, and from said order in so far as it denies the defendants' motion to set aside that part of the verdict finding that these defendants were negligent in the performance of the agreement.

The complaint was dismissed at the end of plaintiffs' case as to the defendants Hughes, Glover, Bentley, Thompson, MacKinnon and Allen. The plaintiffs have not appealed from the judgment in this respect.

John H. Jackson of counsel (Warren W. Cunningham with him on the brief; Moore, Hall, Swan & Cunningham, attorneys) for plaintiffs-appellants-respondents; Alfred A. Cook of counsel (Harold Nathan, Frederick F. Greenman and Nathan R. Margold with him on the brief; Cook, Nathan & Lehman, attorneys) for defendants-respondents-appellants.

Where defendants' firm of accountants were under contract with plaintiffs to make a periodical audit of the books of plaintiff company and report any discrepancies found, etc., and the audits were made to defendants, relying upon one Moore, a tried and trusted servant of plaintiffs, for some statements, held, in an action to recover loss sustained by plaintiffs because of defalcations of Moore, that the auditors can not be held accountable for loss sustained by the plaintiffs because of an ingenious and carefully laid scheme by which Moore had defrauded the company of a large amount of money, where it appears that the company was also negligent in not ascertaining for itself the fraud of its employee.

Held, further, that the negligence of the accountants in failing to discover the fraud was not the proximate cause of the loss.

Clarke, P. J., dissenting, with opinion.

Martin, J.—The plaintiffs during the years 1913 to 1917, inclusive, were engaged in business in New York City as brokers in stocks and commodities, such as cotton, wheat and coffee. Their transactions on behalf of customers were conducted on the New York Stock Exchange, the Cotton Exchanges in New York and New Orleans, the Chicago Board of Trade, and similar exchanges in which they had membership. The business was apparently prosperous and the partners had enjoyed a large income therefrom. On May 26, 1917, through the confession of Robert Moore, an employee of their commodities department, following an office investigation, they learned that their prosperity had been an illusion and that

their books had been falsified by Moore throughout a period of nearly five years, during which they had been defrauded of over \$1,250,000.

During the entire five-year period the defendant, composing an accounting firm well known both in the United States and England, were under retainer from the plaintiffs. Each three months throughout this period the books were audited by them and a report submitted, by which reports, the plaintiffs say, they were assured the books were properly kept, no reference being made to any irregularity.

The action is founded upon the charge that these audits were negligently made; that, had any audit been made with reasonable care, the falsification of the books would have been discovered, Moore would have been discharged, and no further loss would have occurred.

The complaint alleges a contract whereby the defendants undertook periodically to audit the plaintiffs' books and accounts and to report any errors or omissions therein; and negligence by the defendant in the performance of the contract and damage to the plaintiff, amounting to the sum of \$1,280,233.61. This is made up of sums paid to customers to whom, it is alleged, nothing would have been paid except for the defendant's negligent failure to report that similar unauthorized payments had previously been made, and of other sums paid to brokers, and not charged to any customer, upon transactions which, as it is alleged, would not have been permitted were it not for the defendants' negligence in failing to report irregularities consisting of similar transactions previously made.

The answer admits the employment of the defendants to audit the plaintiffs' books "subject to certain instructions and limitations imposed" by the plaintiffs and their predecessor firms; denies the allegation of negligent performance of the contract; and sets up as a defense negligence on the part of the plaintiffs and both negligence and "larceny, embezzlement and criminal acts and practices" on the part of employees of the plaintiffs.

The action was tried in May, 1922. At the end of plaintiffs' case a motion to dismiss was denied except as to six defendants who had become members of the firm after 1917.

The defense rested without offering evidence and the motion to dismiss was renewed. The court reserved decision in accordance with the practice set forth in section 1187 of the Code of Civil Procedure (secs. 459, 585, Civil Practice Act) and submitted two specific questions to the jury, as follows:

"Were the defendants negligent in the performance of their agreement with Craig & Co.?"

"If so, what damage to the plaintiffs resulted directly and proximately from such negligence?"

The court charged that if the defendants were found liable the verdict must be either for \$2,000, the amount paid as compensation for the defendants' services; or for \$1,177,805.26, the amount of plaintiffs' actual loss as proved. To the first question the jury answered, "Yes"; to the second question, "\$1,177,805.26."

Upon the rendition of the verdict the defendants' motion to set aside the answer to the second question was granted; the defendants' motion to set aside the answer to the first question was denied, and a general verdict was directed in favor of the plaintiffs for \$2,000, appropriate exceptions being noted by the plaintiffs. The order recites that the court proceeded "on the ground that as a matter of law the only loss which resulted directly and proximately from the negligence of the defendants was the sum of \$2,000."

The three main questions litigated were (1) The degree of care actually used by the defendants; (2) the understanding or agreement of the parties with respect to the scope of the audits to be made; (3) the degree of care used by the plaintiffs. The three questions are closely interlocked and are to be answered by the inferences to be drawn from practically undisputed evidence.

It is apparent from an examination of the record that the jury found the defendants were negligent, and the court agreed with the jury on that question; but disagreed with it as to the damages resulting from such negligence.

Three questions are before us on this appeal: (1) Were the defendants negligent? (2) Did the plaintiffs negligence contribute to the loss? and (3), assuming defendants were negligent, what damages resulted therefrom? The first question has been resolved in favor of the plaintiffs both by the jury and the court. With reference to that question, therefore, it is necessary only to inquire whether the evidence warranted a finding of negligence.

The plaintiffs contend that defendants are chargeable with negligence by reason of the carelessly conducted audit of the plaintiffs' books. It is asserted that one or more books were in the custody of the plaintiffs when each audit was made, an examination of which would have disclosed the account of one Zabriskie as reflecting an indebtedness to the plaintiffs of many thousands of dollars.

The defendants offered no evidence and no defense, except the cross-exam-

ination which developed the fact that an inspection of all the books in the office would have disclosed irregularities; whereas the auditors, in making investigations and reports, relied on books, papers and carbon copies of statements to customers furnished by one Moore, who apparently had charge of a division of the business.

There can be very little doubt as to carelessness by the auditors. Whether it caused the loss is a more difficult question. Although a proper audit would have disclosed facts leading to the discovery of Moore's wrongdoing, there are a number of other elements entering into this case which show that the plaintiffs are not without blame and might have avoided the loss.

They now seek to make Moore a mere clerk. He was much more. He was in charge of plaintiffs' commodities department. He was permitted to absolutely control that department, and the real cause of the loss is to be found in the fact that he was given a free hand, without any supervision, to deal with the accounts of Zabriskie and others at will. He decided what entries were to be made by the bookkeepers and how they were to be made, so far as transactions in his division of the business were concerned. He was permitted to give directions for the firm to outside brokers as to whether transactions should be closed or carried as "open."

This appears to have been of great assistance in enabling him to keep the actual condition of the Zabriskie account concealed. To this customer large sums of money were paid from time to time, the payment of which was unwarranted, for the accounts with him would have shown the absence of a sufficient balance to meet margins. Money was paid to him at a time when he must have been heavily indebted to plaintiffs.

Should the plaintiffs have relied on Moore, who was dealing with the Zabriskie account for Zabriskie and at the same time taking care of the account for the plaintiff? Certainly they were called upon to exercise some supervision in the matter. Having left a branch of their business to an employee, it does not seem reasonable that although there was no supervision they should now be permitted to charge the loss to the auditors, who apparently on account of the dishonesty of such employee, failed to uncover defalcations.

In his charge to the jury the court said: "These defendants rendered such reports every three months. These reports undoubtedly contained mistakes and inaccuracies. They were based on what Moore wanted them to believe was the position of the firm and not on the true position of the firm."

The auditors relied on Moore. They were deceived by him. So were the plaintiffs. The auditors could have performed their work independently of what they were told by Moore. But Moore was the employee who dealt with them and who gave them the books and papers upon which they were to work. They did not suspect any wrongdoing and believed they were justified in taking the information given them by the firm's representative, who exercised without interference power to deal with them in reference to their work in the commodities department. Defendants relied on Moore's honesty, but no more than did plaintiffs.

In *Kingston Cotton Mill Company* (No. 2, 1896, Ch. D., vol. 2, p. 279) Lord Justice Lindley said: " * * * In this case the auditors relied on the manager. He was a man of high character and of unquestioned competence. He was trusted by every one who knew him. The learned judge has held that the directors are not to be blamed for trusting him. The auditors had no suspicion that he was not to be trusted to give accurate information as to the stock in trade in hand, and they trusted him accordingly in that matter. But it is said they ought not to have done so, and for this reason: The stock journal showed the quantities—that is, the weight in pounds—of the cotton and yarn at the end of each year. Other books showed the quantity of cotton bought during the year and the quantities of yarn sold during the year. If these books had been compared by the auditors they would have found that the quantity of cotton and yarn in hand at the end of the year ought to be much less than the quantity shown in the stock journal, and so much less that the value of the cotton and yarn entered in the stock journal could not be right, or at all events was so abnormally large as to excite suspicion and demand further inquiry. This is the view taken by the learned judge. But although it is no doubt true that such a process might have been gone through, and that if gone through the fraud would have been discovered, can it be truly said that the auditors were wanting in reasonable care in not thinking it necessary to test the managing director's return? I can not bring myself to think they were, nor do I think that any jury of business men would take a different view. It is not sufficient to say that the frauds must have been detected if the entries in the books had been put together in a way which never occurred to anyone before suspicion was aroused. The question is whether, no suspicion of anything wrong being entertained, there was a want of reasonable care on the

part of the auditors in relying on the returns made by a competent and trusted expert relating to matters on which information from such a person was essential. I can not think there was. The manager had no apparent conflict between his interest and his duty. His position was not similar to that of a cashier who has to account for the cash which he receives, and whose own account of his receipts and payments could not reasonably be taken by an auditor without further inquiry. The auditor's duty is not so onerous as the learned judge has held it to be."

Lord Justice Lopez said at page 290: "The duties of auditors must not be rendered too onerous. Their work is responsible and laborious, and the remuneration moderate. I should be sorry to see the liability of auditors extended any further than in *In re London and General Bank*. (1) Indeed, I only assented to that decision on account of the inconsistency of the statement made to the directors with the balance sheet certified by the auditors and presented to the shareholders. This satisfied my mind that the auditors deliberately concealed that from the shareholders which they had communicated to the directors. It would be difficult to say this was not a breach of duty. Auditors must not be made liable for not tracking out ingenious and carefully laid schemes of fraud when there is nothing to arouse their suspicion, and when those frauds are perpetrated by tried servants of the company and are undetected for years by the directors. So to hold would make the position of an auditor intolerable."

Lord Justice Kay said, at page 293: "It is said that it is easy to be wise after the event. In former years when the stock journal was correctly entered the alterations in value in a year were frequently very considerable. The increase in the years now in question did not excite any suspicion in the directors. Why should it in the auditors? They had no reason to distrust the manager. Moreover, he had, or was supposed to have, taken the stock which was actually on the premises at the date to which the balance sheets referred. The auditors could not do this. The only books from which they could obtain information as to the quantities received in the year other than the stock journal was a book called the 'invoice guard book,' in which were pasted the invoices received with goods supplied. But this was not necessarily accurate. Invoices received might have been omitted. Goods might in some cases have been received without invoices. Were the auditors bound to enter upon an investigation which could not bring out an accurate result in or-

der to test the truth of a statement by the manager which no one had any reason to discredit?

The court instructed the jury that these auditors did not guarantee the correctness of their accounts. "They do not say to the public: 'Let us examine your books and vouchers and we will with absolute certainty discover any dishonesty, every mistake that exists in those books, and we will protect you against that.'" That is not what they undertook to do. They agreed to use such skill in the performance of their agreement as reasonably prudent, skillful accountants would use under the circumstances.

One of the plaintiffs, Mr. Craig, said that when defendants originally began their duties for a predecessor firm they agreed to supervise, superintend and send out certain statements to customers. Mr. Craig knew that was never done. Plaintiffs refused to allow statements to be sent to customers. It is further asserted that the defendants agreed to take the open contracts and to calculate the actual liability of the customers thereon at the time of each audit. It was known that defendants never made such calculations.

The plaintiff Craig says that they told him: "We have to make that calculation both for straddles and open accounts before we can tell you what is the actual standing of this firm." Craig's statements with reference to the contract were made to a man who has since died, leaving no way of directly meeting his testimony in this respect. Craig was aware that there had been for several years a failure to strictly live up to arrangements and agreements as to what was to be accomplished.

Zabriskie started his account in 1909, writing the brokers a letter that he was sending them \$200 for margin, and that Moore, the plaintiffs' employee, should have the right to give directions to buy and sell for his account. In other words, it became what is known as a discretionary account. He directed that as soon as the \$200 margin was exhausted the account should be closed. Moore thereafter gave orders to buy and sell for Zabriskie's account. The relationship between Moore and Zabriskie does not appear, but it does appear that the loss could not have occurred if Zabriskie's account had been closed out when his margin has become exhausted.

When Moore gave an order to a broker in Chicago to sell wheat he would sometimes charge that order to the account of Zabriskie, but at other times he would not. He always entered the transactions or had them entered in the blotter. He told the clerks what entries they were to make in the charge

ledger. At times he gave an order to enter such contracts against Zabriskie in this ledger, and at other times he did not. If these books were all examined at the end of the three months any accountant, skilled or unskilled, would have discovered something was wrong, or that some entry remained to be made. Items not entered in the proper place were entered in the back of the book on pages beyond the charge account in the customers' open contract ledger. They were made against Zabriskie, but with instructions that they were not to be entered as actual charges against him. This was feasible because Moore was allowed to deal to the extent of very great sums in Zabriskie's account for Zabriskie and at the same time had charge of the branch office to the extent of deciding what bookkeeping entries should be made. Though Moore was directing these very extensive dealings from both sides, nothing was ever done to check up and see whether the transactions were in order. Moore arranged for payments to Zabriskie from time to time. These payments should never have been made, for with the true condition of his account known it would have been apparent that margins on hand did not warrant them. Had the "opens" been properly checked it could have been seen whether Zabriskie had balances due him, and whether they warranted the payments made to him. Craig made large payments to him without attempting to ascertain how his accounts stood. Moore had the sole control in a department of plaintiff's activities and therein plaintiffs allowed him to represent their interests as well as the interests of some of those dealing with them. He was permitted to represent conflicting interests. This was true when the accountants were there and when they were not. During the whole of the three months' period between audits, being a major part of the time, the plaintiffs paid out large sums of money without any investigation or examination of the books, though an examination would have disclosed the irregularities for which they now attempt to hold the defendants.

The actual liability of Mr. Zabriskie on open transactions and the amount to be paid out should have been ascertainable from the customers' ledger. The evidence shows that between February 28, 1917, and May 26, 1917, there was an actual change of position of something like \$500,000. Were plaintiffs justified in relying, as reasonably prudent business men, on Moore's honesty, though he was allowed to exercise discretionary powers on behalf of customers? Moore was trusted with supervision over the department where the loss occurred, and at the same time, was permitted to deal

at will for Zabriskie. He was left in the same position as to at least one other account. He was also margin clerk. As such it was for him to decide what margins should be maintained.

His various and diverse duties and powers put him in a position to keep records and papers or cause them to be kept so as to deceive the accountants who relied on him. If it be assumed that they should not have done so, it is nevertheless true that the plaintiffs also relied upon them to an extent beyond all reason in view of all the circumstances. They were guilty of the same kind of negligence of which they now complain. It may be true that a proper accounting would have put the plaintiffs on guard with reference to Moore's wrongdoing, but it is also true that if the plaintiffs had attended to their business and in view of the large transactions involved, had looked up Zabriskie's account when payments were being made to him, the dishonesty of Moore would have been discovered.

The plaintiffs admit that they never inquired into the "opens" of Zabriskie when he asked for money, nor when he placed orders to be executed. Had they done so, nothing would have been paid to him other than as his margins warranted, and losing trades would have resulted in his account being closed. Instead they left these matters to an employee, who, though not a partner or principal, had full authority in his department.

It also appears that the accountants notified the plaintiffs in writing that a certain ledger should not be taken out of the control of one Hodge and that if it took up too much of his time an assistant should be engaged under his control. The accountants wrote the plaintiffs "as this ledger is now operated it is practically a check on the subsidiary department and we see no advantage in establishing a separate ledger." Notwithstanding this advice, one of the partners put that ledger under Moore's direction, leaving him with control of every book in the office necessary to work his schemes and at the same time conceal his misdeeds.

Craig had knowledge that Moore was to have discretion as to Zabriskie's account. This is shown by a letter: "I inclose herewith check for \$200, which please place to the credit of my account. I am not fully acquainted with the method of trading in cotton and wish to leave the operation of my account entirely in Mr. Moore's hands, with instructions to close out if the margin becomes exhausted."

It seems to us, therefore, that the loss was due to the failure of Moore to close out the account when the margin became insufficient. No matter what the

accountants had reported, if Zabriskie's account had been closed there would have been no loss. True, it was not closed out because of the wrongdoing of Moore, but slight supervision would have disclosed Moore's wrongdoing.

Counsel for plaintiffs in his opening stated: "Moore got a man by the name of Zabriskie—we do not know Zabriskie except as a name on the books and as a witness in litigation that grew out of these transactions — since Zabriskie wrote a letter to the plaintiff firm as then constituted, and you will understand me of course when I say the plaintiff firm I mean Craig's firm, in which he inclosed a check for \$200 which he said he wanted to trade in commodities, \$200 will constitute a margin, that Moore was to do the trading for him, and that if the margin of \$200 was exhausted that was the end of the transaction."

Zabriskie was, in fact, better known to the plaintiffs than they would admit. Craig knew Zabriskie for about ten years, having spoken to him a number of times. In 1910 he took Zabriskie to a dinner of the Stock Exchange members, to which he invited all of his best customers. Craig raised Moore's salary because Zabriskie, a valuable customer, desired it and said he could obtain for Moore better compensation elsewhere.

Moreover, the Zabriskie account was the most active the plaintiffs carried. He did from 75 per cent to 85 per cent of their Chicago commodities business. Notwithstanding the tremendous loss which such an active account might bring to the plaintiffs they never investigated the financial standing of Zabriskie; they never received a mercantile report on him; they never asked him for references in the face of the fact that his initial margin was but \$200. During this period the plaintiffs paid Zabriskie \$123,689.04, without once making an examination of the books to see whether anything was due him.

We are of the opinion that the loss was not entirely the result of the negligence of the defendants, but also resulted from the careless and negligent manner in which the plaintiffs conducted their business.

The verdict embraces two items: Money paid to Zabriskie and subsequent losses to his account which he failed to meet. These losses were paid to other brokers by Moore. They would not have been incurred if Zabriskie's account had been investigated. The purchases to which they relate would not have been made for there was no margin in Zabriskie's account to make them.

Before a payment was made to Zabriskie, or an order given by or for him was executed, the "opens" and the in-

sufficiency of his margin should have been investigated. This should have been done from day to day, at times from hour to hour, even though plaintiffs had audits from the accountants.

In *Beyo v. Hudson* (225 N. Y., 602, at p. 615), the court said: " * * * If they had no right to rely exclusively upon the assurance of Mitchell when they might have prevented the loss themselves, they can not recover."

There is no doubt in this case that plaintiffs could have prevented the loss by the exercise of reasonable care, and that they should not have relied exclusively on the accountants.

We think the damages can not be said to flow naturally and directly from defendants' negligence or breach of contract. Plaintiffs should not be allowed to recover for losses which they could have avoided by the exercise of reasonable care.

In *City of East Grand Forks v. Steele* (121 Minn., 296) the court said at pages 298-300: "This is not an action in tort, but an action to recover damages for breach of contract. As said by Justice Mitchell in *Whittaker v. Collins* (34 Minn., 299, 25 N. W., 632, 57 Am. Rep., 55), an action brought to recover for the negligence of a physician: 'Where the action is not maintainable without pleading and proving the contract, where the gist of the action is the breach of the contract, either by malfeasance or nonfeasance, it is in substance, whatever may be the form of the pleading, an action on the contract. * * * The foundation of the action is the contract and the gravamen of its breach.' The rule governing liability for breach of contract is given in the syllabus to *Sargeant v. Mason* (101 Minn., 319, 112 N. W., 255) as follows: 'In an action for damages for breach of contract the defaulting party is liable only for the direct consequences of the breach, such as usually occur from the infraction of like contracts and within the contemplation of the parties when the contract was entered into as likely to result from its nonperformance.' * * * The damages claimed on account of the losses resulting from the defalcations of the clerk and the insolvency of his surety are too remote to be recovered without showing the existence of special circumstances, known to defendants, from which they ought to have known that such losses were likely to result from a failure to disclose the true condition of affairs. Such losses are neither the natural nor the proximate consequences of the failure of defendants to make a proper audit. Neither are any facts shown from which it may be inferred that a loss from either of these causes was or ought to have been contemplated when the contract was made as likely to result

from a breach of duty on the part of defendants."

In *Saugerties Bank v. Delaware & Hudson Co.* (236 N. Y., 425, at p. 430) the court said: "As I say, this criminal act made it possible to use them; without it they could not have been used and the defendant's omission would have resulted in no harm. Under these circumstances I fail to see how it can be said that its omission was the proximate cause of plaintiffs' injury. In the first place it has been found as matter of fact that it was not such proximate cause, and ordinarily it is to be determined as a question of fact whether there has been such a connection between cause and effect as to make the former proximate (*Milwaukee & St. Paul Ry. Co. v. Kellogg*, 94 U. S., 469, 475). But if we disregard this particular finding of fact we then have it on other findings that between defendant's omission and plaintiff's injury there has intervened the criminal act of a third party, without which the injury could not have occurred. There has been produced a great amount of legal literature and numberless opinions on this subject of proximate cause which it is impossible and undesirable to attempt to review. But I think that there is one fundamental rule which has been clearly established in the discussion of the subject which is decisive of this case, and that is the one that the act of a party sought to be charged is not to be regarded as a proximate cause unless it is in clear sequence with the result and unless it could have been reasonably anticipated that the consequences complained of would result from the alleged wrongful act; that if the consequences were only made possible by the intervening act of a third party which could not have reasonably been anticipated, then the sequential relation between act and results would not be regarded as so established as to come within the rule of proximate cause."

In *Sutherland on Damages* (sec. 42, p. 159, vol. 2) it is said: "If there intervenes between the defendant's act or omission a willful, malicious and criminal act, committed by a third person, which act defendant had no reason to apprehend, the connection between the original wrong and the result is broken."

The plaintiffs, in effect, contend that defendants are chargeable with negligence because of failure to detect Moore's wrongdoing, wholly overlooking the fact that although they were closely affiliated with Moore, who was constantly under their supervision, they were negligent in failing properly to supervise his acts or to learn the true con-

dition of their own business and to detect his wrongdoing.

We have reached the conclusion that the judgment is right and should be affirmed.

Judgment and order affirmed, without costs to either party as against the other.

Merrill and Finch, JJ., concur.

Clarke, P. J. (dissenting)—I dissent from the affirmance of so much of the judgment as sets aside the verdict of the jury assessing the damages at \$1,177,805.26. The contract of audit was not one merely to discover if inadver-

tent clerical errors had been made in the bookkeeping, but was one of protection of the plaintiffs' firm from their own failure to find any error in their books of account. This contract the defendants failed to perform. Admitting the neglect of the plaintiffs to discover the embezzlement and falsification of the accounts through an examination of the books on their own part, the defendants' work in pursuance of the contract, owing to the manner in which it was performed, failed to save plaintiffs from the consequences of such failure and neglect—which was the very subject of the contract.—New York Law Journal, April 20, 1925.

and the employer, the latter at having found among his associates a man to whom he could entrust greater responsibilities and the former at having been able to secure recognition of his ability.

Some well designed and properly installed cost systems have failed in their objectives when expansions have been made in the particular businesses to include the manufacture of products not originally contemplated and also where modifications have been made in plant design or methods of manufacture.

Cases such as these will be most satisfactorily cared for by securing the services of an independent practitioner and their being guided by his advice.

Mr. Alex. Dunbar, banker, of Pittsburgh, speaking before the local chapter of the national association of cost accountants made the following significant statement:

"Profit arises primarily from the difference between cost and selling price—the latter subject to competitive conditions being based on the former. Obviously, if the premise, or calculated cost of production, is unsound, the selling price determined thereon must be unsound—either too high, in which case the producer faces the probability of reduced sales due to underselling on the part of his competitors, or too low, resulting in actual loss of capital.

"Probably the most vicious feature of inaccurate and unsound cost systems is that the manufacturer, as a matter of fact, is working blindly and in the dark. He is misled as to the results of his operations, and the book values of that part of inventory consisting of work in process and finished product are distorted."

Upon his ability to so serve his clients that they will profit as the result of his efforts rests the reputation of the cost consultant.

When the progress which has thus far been made is considered there does not seem to be any doubt as to what the future holds

SOME ASPECTS OF THE SERVICES RENDERED BY PROFESSIONAL COST ACCOUNTANTS AND ENGINEERS

(Continued from page 64)

connection his two predecessors had failed in about everything but receiving payment for services rendered.

After looking thoroughly into the problem presented this man was able to do whatever work was necessary in a very brief time.

Possessing a saving sense of humor, as well as unusual skill as a plumber, he rendered his bill, "Repairs of plumbing, Three dollars; knowing how, Seven dollars; total, Ten dollars," for which sum the happy householder promptly sent him a check.

The "knowing how" element is one which can be compensated for most satisfactorily upon a contingent fee basis.

Not alone does it defer payment until the results are definitely known but it also gives both parties in interest the fullest opportunity to give and to receive the benefits contemplated at the time the original arrangement was entered into.

There may be instances in which contingent fees might tend to unprofessional practice but the possibilities of such an outcome do not strike one as sufficient to furnish grounds for the establishment of a rule prohibiting the use of such a basis of compensation in any case.

The nature of the services which the practicing cost consultant is

sometimes able to render is of such outstanding merit, and the results directly traceable to his work are so profitable to his clients, that to base his compensation upon any basis but that of results accomplished would be a manifest injustice.

One of the proposed bases of agreement with respect to the services of a consultant is to arrange for a fixed fee for, say a year, this fee to cover consulting services only, it being agreed that all other services are to be paid for upon such terms as shall be provided for in the agreement.

An arrangement of this kind has much to recommend it and it will probably be the one under which much of this sort of work will ultimately be undertaken.

There are men employed in various capacities in manufacturing plants who are capable of improving the conditions existing therein but who can not, for various reasons, obtain the consent of their superiors to undertake the necessary work.

It is desirable, in such cases, to call in a consultant, and be guided by his conclusions.

If he believes that the ideas advanced by the employee are practical and should be given a trial, a knowledge of this fact would be worth much to both the employee

in store for the progressive manufacturers and the professional cost accountant when they become more appreciative to their mutual-ity of interest.

That the work of painstaking cost accountants is receiving favorable consideration from those most competent to judge of its merit is evidenced by the following quotation from an address recently by Mr. F. W. Shibley, vice president of the Bankers' Trust Company, of New York. He said:

"The business of cost accounting is not generally classed as an art. Few people know much about it. You are not headliners in the great industrial dramas. There is no applause when you succeed in reducing the cost of production a fraction of one per cent. You have no hired claque. You work in silence and only an intimate few realize that you exhaust the resources of acquired knowledge and of your imagination in extending the economies of manufacturing processes. You are really doing specialist work of a high order. I, for one, know what you are doing. I appreciate your efforts and applaud the results."

The competent practitioners in any field know that the most effective way to retain clients is to render helpful services to them and to combine these with fees which are not excessive. It is almost a truism to state that if an accountant or engineer is highly skilled technically and conducts his practice on a high plane of professional dignity, his future is assured.

It is also true that the leaders in these professions are keenly alert to this condition and that the value of their services has been enhanced by their assent thereto.

Executives of manufacturing concerns can perform no greater service to those whose interests they represent than to have periodic examinations made of the cost and production methods employed in their establishments. The reports submitted thereon, will enhance the feeling of confidence

with which their future operations will be conducted or, in specific instances, there may be disclosed conditions which but for such an

investigation would have long continued to sap the vitality of an otherwise healthy and vigorous institution.

PUBLIC ACCOUNTANCY ANCIENT PROFESSION IS REVIVED AND PERFECTED

By HERBERT A. WHEELER, C. P. A., President L. A. Chapter, Certified Public Accountants

(Evening Herald, Los Angeles, Calif., August 5, 1925)

THE Los Angeles Society of Certified Public Accountants is engaged in a campaign of education to enlighten the business community regarding the service that can be rendered by the certified accountant. This is a most commendable effort.

In one sense public accountancy is among the oldest of the professions. Baked brick taken from the excavations of Assyria and Babylonia carry confirmation of accounts strikingly similar to the certificate of the twentieth century accountant.

In another respect it is a most modern profession. The first law in the United States establishing a State board of accountancy for the examination of candidates and the granting of a certificate to practice was passed by New York in 1896. Today every State in the Union, including the District of Columbia, has such a board. The California law was passed in 1901.

Two national organizations of public accountants exist—the American Institute of Accountants, membership in which is based upon strict examinations held semiannually in all the large cities of the country, and the American Society of Certified Public Accountants, which, as its name implies, is an organization of holders of State certificates.

The increasing complications of American business and finance have made necessary the scientific organization of accounts and records. The continuous supervision of these records, and proper validation of final balance sheets and profit and loss accounts, have made imperative the development of the accounting practice. The prestige and authority of the profession are now established beyond question. In 1896 the literature of accountancy consisted of a single thin volume. Today there are whole libraries of recognized textbooks and authorities.

The income tax requirements have given a tremendous impetus to the practice of accountancy and the multitudinous regulations and rulings of the Treasury Department have created a very precise technique. Such abstract things as depreciation, depletion, obso-

lescence and reserves have been reduced to mathematical formulas.

Ninety-five per cent of the business of the nation is done on credit, which accommodation must rest upon actual asset values. These values are disclosed in the final statements, and when a banker or a jobbing or wholesale house receives from the client or customer a balance sheet properly confirmed by a certified public accountant he knows that the valuations have been investigated and verified by competent reviewers.

A recent bulletin on credit frauds, prepared by the American Institute of Accountants, states that a "toll of \$160,000,000, conservatively estimated, is levied and collected each year by credit criminals. A surety company estimate the losses as \$400,000,000 a year. Here is a tax on the earnings of honest people, levied by rogues and swindlers who prey on the processes of modern trade." The certified public accountants are cooperating with the National Association of Credit Men in a concerted drive against these credit criminals.

Another bulletin of the institute, entitled "The Crime Tendency in Business," asserts that fidelity and surety company officials estimate that the losses from financial crimes of various sorts, including embezzlements, forgeries, credit frauds and stock frauds reach the astounding total of \$1,600,000,000 annually.

The general employment of certified public accountants in the organization and installation of adequate accounting systems and the maintenance of continuous audit of the records will go far toward the prevention of these crimes.

The certified public accountant is not merely a free-lance bookkeeper with an uncanny facility for manipulating figures. He is the representative of a dignified and highly specialized profession, and his training in the theory and practice of accounting, auditing, commercial law, economics and general commercial procedure qualifies him to render an invaluable service to the business community.

ANALYSIS, DISCUSSION AND SOLUTION, PROBLEM NO. 2 OF ACCOUNTANCY PAPER; VIRGINIA C. P. A. EXAMINATION, OCTOBER, 1924

(Published in this issue, page 67)

By John B. Tanner, C. P. A. (Ohio and Wisconsin), President of International Accountants Society, Chicago, Illinois

PROCEDURE OF SOLUTION

While the general method to be used for preparing the solution to this problem should be easily recognized by any well-prepared candidate nevertheless there are several different applications of the method from which the candidate may choose; and in addition there are several points raised in solving the problem, which will prove a severe test of the candidate's ability to recognize and handle a peculiar situation.

After the first reading it is evident that the solution requires the preparing of journal entries for the transactions and the accumulating of the debits and credits into proper accounts. This may be done by actually writing the journal entries and posting them to "dummy" or "T" accounts. Since the problem does not call for these journal entries, this work may be done in a very informal manner on scratch paper. However, by using a special form of working sheet, which has been variously called "Synoptic Journal," "Synoptican" and "combined journal-ledger," the candidate may shorten his work and at the same time prepare a working sheet of the entries which will present an appearance of better accounting workmanship than the rough memoranda of journal entries and ledger accounts.

Such a working sheet is presented as part of this solution. Those who are interested in the use of this form will find a description of it in the Accountants' Handbook (Ronald Press Company) under the name of the "Synoptic Journal."

Some candidates will prefer to draft only the dummy ledger accounts, and as each transaction is handled, enter the debits and credits direct to these accounts without writing the journal entries. This will shorten their labor considerably, provided they do the work correctly the first time; but if the resulting trial balance is not in balance, they may consume more time in locating the error or errors than would have been required to write the journal entries in the first place. This method is also open to the objection that part of the work which might be presented in working-sheet form is done only as scratch memoranda.

One of the first questions that the candidate is called upon to answer in this solution is how to determine the cost of lots sold, and along with that cost, the inventory value of the unsold lots. From the selling prices which have been set for the lots, it is evident that all lots are not of equal value. Consequently the method of distributing the cost equally over all the 160 lots would not appear to give an equitable distribution. A better method would be to spread the cost in proportion to the selling prices, which may be done as follows:

$$\begin{aligned} 80 \text{ lots @ } \$900 &= \$72,000 \\ 80 \text{ lots @ } 600 &= 48,000 \end{aligned}$$

$$\text{Total selling prices } 120,000$$

The \$900 lots are 60 per cent of the total.

The \$600 lots are 40 per cent of the total.

The total cost is \$70,000.

Sixty per cent of \$70,000 = \$42,000 cost for the \$900 lots, or \$525 per lot.

Forty per cent of \$70,000 = \$28,000 cost for \$600 lots, or \$350 per lot.

This method has been followed in the solution presented here.

The candidate is also called upon to interpret the sentence which says, "In each case the lots were released from the purchase money mortgage by payment of the pro-rata amount." The purchase money mortgage may provide a

method of pro-rating the amount to be paid for separate releases, but since the problem is silent on this point the candidate is probably justified in adopting any reasonable method of pro-rating.

For figuring releases it is quite customary to pro-rate the amount of mortgage over the lots according to area since the sale and purchase of the property is usually based on a price per acre without regard to the more advantageous position of some acres over others. This method has been followed in this solution and since the lots are of equal size the releases for each lot is based on 1/160th of \$30,000, or \$187.50 per lot.

Interest on the amount of the mortgage releases and accrued interest on the balance of the mortgage as of June 30, 1924, should not be overlooked.

An interesting feature of the problem is that the proceeds of the sales were deposited by Jones in his own account when received. Actually it might appear that the firm of Jones and Bryant had no cash account, but that each partner handled personally the cash transactions in which he took part; that is, that Bryant paid out \$40,000 personally, and that Jones collected \$99,600 personally and paid out \$36,299.38 from those collections, and that Jones is now indebted to Bryant in the sum of \$48,390.94, being the capital invested less net assets of June 30, 1924, plus Bryant's share of the profits, as shown below:

Capital Invested.....	\$40,000.00
Net assets June 30, 1924:	
Unsold lots	\$11,900.00
Less Mortgage and Accrued Interest	5,381.25
	<hr/> 6,518.75
Share of Profit.....	<hr/> 33,481.25
	<hr/> 14,909.69
Total.....	<hr/> 48,390.94

If Jones paid this amount to Bryant, there would remain for Jones the amount of his share of the profit, as follows:

Cash collected by Jones less payments by Jones..	\$63,300.62
Less amount due Bryant.....	48,390.94
Balance, representing Jones' share of profit.....	<hr/> 14,909.68

Such a method of handling would partake of the nature of an accounting for a joint venture rather than a firm of partners; and in fact there are some indications in the wording of the problem which would lead to construing it as a problem in joint ventures. But on the other hand there are strong indications that the statement of the problem intended to convey that there was a partnership established in the firm of Jones and Bryant. The frequent use of the word "partner" and the covering of such questions as partners' salaries and interest on partners' balances support this view, and this solution has been handled on that basis.

Treating the statements, then, as those of a partnership it seems better to handle the balance resulting from Jones' cash transactions as a debt due the partnership or cash in the custody of Jones rather than as a partners' deficit of the cash account balance less Jones' share of the profits. This seems particularly fitting in view of the fact that no mention is made of any withdrawals having been authorized by the partners.

No doubt the partners in reading the statements would expect to find in the Cash Account, the various disbursements made by Jones. For that reason, it seems desirable that they should appear in the Cash Account and this may

be accomplished by a double form of Cash Statement showing a General Cash Account and the cash account of R. C. Jones.

This method of recording the cash has also been followed in preparing the journal entries.

In preparing the solution to the problem, the candidate might omit the entries to Mortgages Receivable and Land, since the fact is at once apparent that the entries to each account offset each other leaving no balance; but if the working sheet of journal entries is to be a complete description of the transactions as they occurred, these entries should be included.

Jones and Bryant
STATEMENT OF CASH TRANSACTIONS
February 1-June 30, 1924

GENERAL CASH ACCOUNT

Receipts

From R. W. Bryant as Capital.....	\$40,000.00
From sales of lots during May, 1924:	
45 lots @ \$900.....	\$40,500.00
29 lots @ 600.....	17,400.00
Total.....	57,900.00
One-half cash	28,950.00
From sales of mortgages during May, 1924:	
Selling price of lots sold.....	\$57,900.00
Mortgages equal to one-half selling price.	
At par	28,950.00
From sales of lots during June, 1924:	
23 lots @ \$900.....	\$20,700.00
35 lots @ 600.....	21,000.00
Total.....	41,700.00
One-half cash	20,850.00
From sales of mortgages during June, 1924:	
Selling price of lots sold.....	\$41,700.00
Mortgages equal to one-half selling price.	
At par	20,850.00
Total Receipts	139,600.00

Disbursements

Cash payment on property purchased	\$30,000.00
Improvements, grading, etc.....	10,000.00
Deposited to credit of R. C. Jones,	
individual account	99,600.00
Total Disbursements	139,600.00
Balance	None.

R. C. JONES, CASH ACCOUNT

Receipts

Cash received and deposited to credit of R. C. Jones individual account:	
Sales of lots, May.....	\$28,950.00
Sales of mortgages, May	28,950.00
Sales of lots, June.....	20,850.00
Sales of mortgages, June.....	20,850.00
Total (as per General Cash Account)...	99,600.00

Disbursements

For mortgage releases May 31....	\$13,875.00
For interest on releases May 31....	277.50
For mortgage releases June 30....	10,875.00
For interest on releases June 30....	271.88
For advertising and selling expenses	11,000.00
Total Disbursements	36,299.38
Balance June 30, 1924.....	63,300.62

Jones and Bryant
PROFIT AND LOSS STATEMENT
February 1-June 30, 1924

Sales of Lots:	
68 lots @ \$900.....	\$61,200.00
64 lots @ \$600.....	38,400.00
	\$99,600.00

Cost of Lots Sold:	
68 lots at \$525.....	\$35,700.00
64 lots @ \$350.....	22,400.00
	58,100.00

Gross Profit on Sales.....	41,500.00
Selling Expenses	11,000.00
Net Profit on Sales.....	30,500.00
Deductions from Income:	
Interest on Mortgage Payable.....	680.63
Net Profit	29,819.37
Distributed as follows:	
R. C. Jones, one-half.....	14,909.68
R. W. Bryant, one-half.....	14,909.69
Total.....	29,819.37

Jones and Bryant
STATEMENT OF PARTNERS' INTERESTS
As of June 30, 1924

R. C. JONES

Cash Account:	
Receipts from Sales.....	\$99,600.00
Payments on Mortgage.....	\$24,750.00
Payments of Interest on Mortgage	549.38
Payments for Advertising and	
Selling Expenses	11,000.00
Total Disbursements	36,299.38
Due the partnership	63,300.62
Capital Account:	
One-half of profit for period February 1-	
June 30, 1924.....	14,909.68

R. W. BRYANT

Capital Account:	
Invested:	
For purchase of land.....	\$30,000.00
For improvements	10,000.00
Total	40,000.00
One-half of profit for period February 1-	
June 30, 1924.....	14,909.69
Balance June 30, 1924.....	54,909.69

Jones and Bryant
BALANCE SHEET
June 30, 1924

ASSETS

Cash, R. C. Jones, Trustee.....	\$63,300.62
Unsold Lots:	
Class A Lots—12 @ \$525.....	\$6,300.00
Class B Lots—16 @ \$350.....	5,600.00
Total Assets	75,200.62

LIABILITIES

Mortgage Payable	\$5,250.00
Accrued Interest on Mortgage.....	131.25
Total Liabilities	5,381.25

NET WORTH

R. C. Jones, Capital Account:	
One-half profits for period (2-	
1-24 to 6-30-24)	14,909.68
R. W. Bryant, Capital Account:	
Capital Invested ..	\$40,000.00
One-half profits for	
period (2-1-24 to	
6-30-24)	14,909.69
Total Net Worth.....	69,819.37
Total Liabilities and Net Worth.....	75,200.62

Jones and Bryant SYNOPTICAN February 1--June 30, 1924														
Trans. Number	Description	General Cash Account		R.C. Jones, Cash Acct.		Class A Lots		Class B Lots		Mortgage Payable		Other Accounts		Name of Acct.
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	
1.	Property Purchased		\$ 30,000.00							\$30,000.00				Land
2.	Bryant Capital	\$ 30,000.00										\$ 30,000.00		Bryant Capital
3.	Improvements Paid for		10,000.00									10,000.00		Land
4.	Bryant Capital													Bryant Capital
5.	Cost of Lots					\$42,000.00		\$28,000.00						Land
6.	Sales of Lots in May	28,950.00												Sales
7.	Mortgages Receivable													Mortgages Rec.
8.	Cost of Lots Sold					\$23,625.00		\$10,150.00						Cost of Lots Sold
9.	Deposit of Cash in Jones Acct.	28,950.00												Mortgages Rec.
10.	Mortgages Sold to Bank		28,950.00											Mortgages Rec.
11.	Deposit of Cash in Jones Acct.													Cost of Lots Sold
12.	Mortgage Releases			\$13,875.00										Interest
13.	Interest on above			277.50										Sales
14.	Sales of Lots in June	20,850.00												Mortgages Rec.
15.	Mortgages Receivable													Cost of Lots Sold
16.	Cost of Lots Sold													Mortgages Rec.
17.	Deposit of Cash in Jones Acct.	20,850.00												Interest
18.	Mortgages Sold to Bank		20,850.00											Sales
19.	Deposit of Cash in Jones Acct.													Mortgages Rec.
20.	Mortgage Releases													Cost of Lots Sold
21.	Interest on above			10,875.00										Interest
22.	Advertising and Selling			271.88										Adv. & Selling
23.	Accrued Interest on			11,000.00										Accrued Interest
24.	Mortgage Payable June 30, 1924													Interest
25.	Totals	\$139,600.00	\$139,600.00	\$36,299.38	\$36,299.38	\$42,000.00	\$35,700.00	\$28,000.00	\$22,400.00	\$30,000.00	\$24,750.00	\$259,531.25	\$259,531.25	
26.	Less	\$139,600.00		\$36,299.38		\$36,700.00		\$22,400.00		\$24,750.00		\$189,580.63	\$189,580.63	
27.	Balances	None		\$63,300.62		\$6,300.00		\$6,600.00		\$5,250.00		\$69,950.62	\$69,950.62	
Recapitulation of Other Accts.														
28.	Bryant Capital													
29.	Sales of Lots													
30.	Cost of Lots Sold													
31.	Interest													
32.	Advertising and Selling													
33.	Accrued Interest													
34.	Totals													
35.	Less													
36.	Balance													

The Lawyer-Accountant and Accountant-Lawyer

(Continued from page 62)

If the professions of the law and accountancy are to permit of amalgamation in any one practitioner, then they must, to a much greater extent than at present, be governed by a like code of ethics. The lawyer has gone far in developing his code. The accountant, it is submitted, has only started; therefore ethics must be taught in schools and colleges preparing men for the accounting profession as it is now taught in law schools. It must be recognized that the present junior is the accountants' garden, and, in school and during the formative period immediately thereafter, this garden must be properly cultivated, lest the resultant crop considers that it is engaged in a business rather than in a profession and permitted in some cases, such as arguing a client's case, to adhere more closely to imagination than to truth.

WHAT OUR READERS SAY

July 15, 1925.

The Editor,
Certified Public Accountant,
Woodward Building,
Washington, D. C.

Dear Sir:

As an Accountant I have read with interest for many years the published Balance Sheets or Statements for Condition of our New York Banks that have appeared in the local newspapers from time to time.

Unwittingly, perhaps, they have all been in error.

Pick up any Balance Sheet Statement published in the last week or two. Note the first part or left-hand side called Assets or Resources. That is absolutely correct.

The second part or right-hand side, called "Liabilities," is the item that is in error. Read carefully the items in the column called "Liabilities" and note that there is included Capital Stock Issued, Surplus and Undivided Profits.

These three items are not Liabilities. They are the Bank's Capital or margin of safety.

From the Value of our Assets is deducted the amount owed or Liabilities,

the difference or excess of Assets over Liabilities being Capital or Net Worth—the Margin of Safety afforded the customers of the Bank.

A Bank Balance Sheet should show on the right-hand side, properly called "Liabilities and Capital," the Liabilities grouped in one section and totalled, the Capital items grouped in another section and totalled. The sum of the Liabilities and of the Capital Items should balance or equal the sum of the Assets—hence the term "Balance Sheet."

I am not writing this for the purpose of picking out technical errors in the published Balance Sheets.

Truth in Advertising must mean the whole truth and not half truths.

How can we educate the layman as to what is right and proper in Accounting or Business Practice if what is pub-

lished in the newspapers does not do it properly?

The layman should be enabled at a glance to see the relation his Bank's Liabilities bear to its Capital. Is the margin of safety sufficient? This is what Credit Men ask, so why not the layman?

"The best laid plans of mice and men go oft aglee."

Especially in a small bank, doing a local business only, this margin of safety must be carefully watched.

Don't you think the banks should help teach their customers better Accounting or Business Practices?

Then let the Banks publish better Balance Sheets.

Very truly yours,

SAMUEL NEWBERGER, C. P. A.,
38 Park Row, New York City.

Boston, Mass. Edwin L. Pride, C. P. A., 40 Central Street, Boston, Mass.

Michigan—Thomas H. Evans, C. P. A., Dime Bank Building, Detroit, Mich. (Election incomplete as to second Representative.)

Minnesota—A. F. Wagner, C. P. A., 532 Security Building, Minneapolis, Minn.

Mississippi—Nelson E. Taylor, C. P. A., 218 East Jefferson, Greenwood, Miss.

Missouri—Parry J. Barnes, C. P. A., 1003 Pioneer Trust Building, Kansas City, Mo.

Montana—E. E. Murray, C. P. A., Northern Hotel Building, Billings, Mont.

Nebraska—William Bryden, C. P. A., 633 Securities Building, Omaha, Nebr.

Nevada—George K. Edler, C. P. A., Reno National Bank Building, Reno, Nev.

New Hampshire—Clarence I. Drayton, C. P. A., 922 Elm Street, Manchester, N. H.

New Jersey—Frank G. DuBois, C. P. A., 1009-1010 Kinney Building, Newark, N. J.

New York—Alexander S. Banks, C. P. A., 7 Dey Street, New York City. Homer A. Dunn, C. P. A., 35 West Sixty-fourth Street, New York City. Paul-Joseph Esquerre, C. P. A., 20 Vesey Street, New York City. J. S. M. Goodloe, C. P. A., 165 Broadway, New York City. Harold Dudley Greeley, C. P. A., 25 West Forty-third Street, New York City. Charles Hecht, C. P. A., 292 Madison Avenue, New York City. William M. Lybrand, C. P. A., 110 William Street, New York City. John T. Madden, C. P. A., 32 Waverly Place, New York City. Robert H. Montgomery, C. P. A., 110 William Street, New York City.

New Mexico—C. C. Boldt, C. P. A., Los Lunas, N. Mex.

North Carolina—Frederick Moore, C. P. A., 10 Vail Avenue, Charlotte, N. C.

North Dakota—J. A. Cull, C. P. A., 44 Edwards Building, Fargo, N. Dak.

State Representatives Elected as Result of June Primary and July Election

Alabama—Otto H. Schultz, C. P. A., American Trust Building, Birmingham, Ala.

Arizona—James M. Lawton, C. P. A., Box 597, Tucson, Ariz.

Arkansas—John H. Worman, C. P. A., 21 Pettit Building, Stuttgart, Ark.

California—R. W. E. Cole, C. P. A., 817 I. N. Van Nuys Building, Los Angeles, Calif. William Dolge, C. P. A., 369 Pine Street, San Francisco, Calif.

Connecticut—Irville A. May, C. P. A., 129 Church Street, New Haven, Conn.

Delaware—Alfred H. Coe, C. P. A., DuPont Building, Wilmington, Del.

District of Columbia—James A. Councilor, C. P. A., 426 Woodward Building, Washington, D. C.

Colorado—Louis C. Linck, C. P. A., 601 U. S. National Bank Building, Denver, Colo.

Florida—Walter Mucklow, C. P. A., 420 Peninsular Casualty Building, Jacksonville, Fla.

Georgia—W. C. Jackson, C. P. A., 1423 Atlanta Trust Company Building, Atlanta, Ga.

Hawaii—Edward V. Wright, C. P. A., Waity Building, Honolulu.

Idaho—Jeremiah W. Robinson, C.

P. A., 1114 N. Seventh Street, Boise, Idaho.

Illinois—George P. Ellis, C. P. A., 30 North La Salle Street, Chicago, Ill. David Himmelblau, C. P. A., 76 West Monroe Street, Chicago, Ill. George W. Rosseter, C. P. A., Harris Trust Building, Chicago, Ill.

Indiana—H. A. Roney, C. P. A., 819 State Life Building, Indianapolis, Ind.

Iowa—A. H. Hammarstrom, C. P. A., 208-9 Weston Building, Clinton, Iowa.

Kansas—Charles A. Smith, C. P. A., 316 Wheeler, Kelly, Hagney Building, Wichita, Kans.

Kentucky—William Cotton, C. P. A., 1428 Inter-Southern Building, Louisville, Ky.

Louisiana—R. J. LeGardeur, C. P. A., 603-7 Carondelet Building, New Orleans, La.

Maine—George M. Graffam, C. P. A., 415 Congress Street, Portland, Me.

Maryland—Charles C. Croggon, C. P. A., Calvert Building, Baltimore, Md.

Massachusetts—H. C. Bentley, C. P. A., 921 Boylston Street, Boston, Mass. Herbert F. French, C. P. A., 100 Summer Street, Boston, Mass. Daniel B. Lewis, C. P. A., Park Square Building,

Ohio—Walter D. Wall, C. P. A., 44 West Gay Street, Columbus, Ohio. Philip G. Ward, C. P. A., Hanna Building, Cleveland, Ohio.

Oklahoma—Burney R. Clack, C. P. A., 207 Richard Building, Tulsa, Okla.

Oregon—E. M. Wilson, C. P. A., Liberty Building, Medford, Oreg.

Pennsylvania—W. W. Colledge, C. P. A., Farmers Bank Building, Pittsburgh, Pa. (Election incomplete as to second and third Representatives.)

Rhode Island—S. George Hay, C. P. A., Hospital Trust Building, Providence, R. I.

South Carolina—A. C. Clarkson, C. P. A., Loan and Exchange Building, Columbia, S. C.

South Dakota—George A. Anderson, C. P. A., Aberdeen, S. Dak.

Tennessee—Edward S. Elliott, C. P. A., Bank of Commerce Building, Memphis, Tenn.

Texas—A. C. Upleger, C. P. A., Waco, Tex.

Utah—W. E. Nissen, C. P. A., 1505 Walker Bank Building, Salt Lake City, Utah.

Vermont—Orris H. Parker, C. P. A., 16 State Street, Montpelier, Vt.

Virginia—A. M. Pullen, C. P. A., 1103-6 State and City Bank Building, Richmond, Va.

Washington—A. S. Hansen, C. P. A., Leary Building, Seattle, Wash.

West Virginia—Okey K. Hayslip, C. P. A., P. O. Box 642, Huntington, W. Va.

Wisconsin—Carl E. Dietze, C. P. A., 209 Grand Avenue, Milwaukee, Wis.

Wyoming—Charles H. Reimerth, C. P. A., 401 O. S. Building, Casper, Wyo.

der the firm name of Caunt and Alexander, for the general practice of accounting, with offices at 535 Finch Building, Aberdeen, Wash. They also announce the opening of the Triple Cities Institute, conducting classes in the study of accountancy and general business subjects.

Bernard Glassberg, C. P. A., announces the removal of his office to 358 Fifth Avenue, New York City.

Announcement is made of the continuation in the practice of public accountancy of J. L. Block, C. P. A., under the firm name of J. L. Block & Company, Public Accountants, Humble Building, Houston, Tex.

William Feinblum, C. P. A., 54 Church Street, Hartford, Conn., announces that he has resigned as Insurance Examiner for the Connecticut Insurance Department to engage in the practice of Insurance Accounting and Auditing, in addition to his general accounting practice.

Parry J. Barnes, C. P. A., and Thomas W. Burman, C. P. A., announce their withdrawal from the firm of Smith, Lunsford and Wright and their association under the name of Parry Barnes and Company, with offices at 1003 Pioneer Trust Building, Kansas City, Mo.

Charles A. Baskerville, C. P. A., announces the removal of the home office of the Baskerville Audit Company, Los Angeles, to new quarters in the Petroleum Securities Building, Los Angeles, Calif., and the change of the firm name to The Baskerville Company.

Chauncey B. Adams, C. P. A., announces his withdrawal from the firm of Ernst & Ernst and the opening of an office under the firm name of C. B. Adams & Co., 1034-5-6 Boatmen's Bank Building, St. Louis, Mo.

ANNOUNCEMENTS

Morris Thall, C. P. A., announces the opening of an office at 152 Temple Street, New Haven Conn., and at 342 Madison Avenue, New York City.

Announcement is made of the dissolution of the firm of Lowson & Dawson, 815 Fifteenth Street N. W., Washington, D. C., as of June 30, 1925.

Samuel Newberger & Co., 38 Park Row, New York City, announce that Mr. David Newberger has been admitted to partnership, as of August 1, 1925. F. D. Lehn, C. P. A., has withdrawn as a partner and will continue with the firm as manager of the Tax Department.

John W. Dawson, C. P. A., has withdrawn from the partnership of Lowson & Dawson to become treasurer of the Rhodes Amusement Enterprises, Inc., 20 South Fifteenth Street, Philadelphia, Pa., a

company operating amusement concessions at the Sesqui-Centennial Exposition, Philadelphia, Pa., 1926, and elsewhere.

Allan Muddiman, C. P. A., will handle his own cases and be associated with Frank Lowson & Co., 815 Fifteenth Street N. W., Washington, D. C.

Francis P. Kirk, C. P. A., announces the opening of offices for the general practice of public accounting under the firm name of Francis P. Kirk & Company, 185 Devonshire Street, Rooms 920-24, Boston, Mass.

A. M. Pullen & Company, Certified Public Accountants, announce the removal of their Richmond office to 1103-04-05-06 State and City Bank Building, Richmond, Va.

J. William Caunt, C. P. A., and C. E. Alexander, C. P. A., announce the formation of a partnership un-

"Do you play golf?" he asked of the simple but gushing maiden.

"Dear me, no," she bashfully replied. "I don't believe I should even know how to hold the caddie."—The Kablegram.

Frank Lowson, C. P. A., announces the continuation of his practice of accountancy under the firm name of Frank Lowson & Co., Accountants, Auditors and Counsellors in Federal Taxation, 815 Fifteenth Street N. W., Washington, D. C.

Announcement is made of the dissolution of the firm of Little and Farrington, Certified Public Accountants, Niagara Falls, N. Y., as of August 6, 1925. The firm was composed of W. Paxton Little, C. P. A., and Howard F. Farrington, C. P. A.

Lectures on Tax Board Practice Available For Distribution

Notice was carried in the June issue of the Certified Public Accountant of a series of lectures being given before the District of Columbia Institute of Certified Public Accountants by the Honorable Charles D. Hamel, former Chairman of the United States Board of Tax Appeals, on the subject of Practice and Procedure Before the Board of Tax Appeals.

James A. Councilor, President of the Institute, advises that these lectures have now been completed. They were informal in character and the subject matter was suggested by Mr. Hamel's personal observation of the difficulties encountered by both accountants and attorneys in presenting cases before the Board. Accordingly, they deal with problems arising in everyday practice before the Board and are not, as their subject might indicate, a formal exposition of the rules of practice.

As indicated in the previous announcement the Institute had these lectures reported for the purpose of supplying copies to any who might desire them. A number of requests for copies have been received and the Institute is now having the lectures reproduced for distribution to those who have ordered them. At the same time a limited number of additional copies will be made and it is expected that they will be available by September 20th. They are being prepared on letter-size paper and will have a flexible leatherette binding.

The Institute offers these copies at \$10.00 each. Orders will be filled in the sequence in which they are received.

If you desire a copy, please communicate with Mr. C. V. Darby, Secretary - Treasurer, Munsey Building, Washington, D. C., enclosing your check. Checks will be returned on all orders received after the edition is exhausted,

STATE SOCIETY NEWS

Georgia

A Savannah chapter of the Georgia Society of Certified Public Accountants was organized on July 21, 1925.

Joel Hunter, of Atlanta, past president of the Georgia Society of Certified Public Accountants spent the day as a guest of the Savannah C. P. A.'s and assisted in the organization of the local chapter.

The following officers were elected: Robert H. Eaton, C. P. A., chairman; R. L. Holland, C. P. A., and J. T. McIver, C. P. A., vice chairmen; S. P. Driscoll, C. P. A., secretary and treasurer.

The following certified public accountants were present: M. H. Barnes, Eugene E. Behnken, S. W. V. Cheeves, A. B. Dillon, S. P. Driscoll, R. H. Eaton, R. L. Holland, J. T. McIver, B. F. Rensing, A. W. Scruggs, E. J. Thomas, Jr., T. W. Yager and Joel Hunter.

Kentucky

The Kentucky Society of Certified Public Accountants held its annual meeting in Lexington on August 7, 1925. Officers for the ensuing year were elected as follows: President, W. A. Hifner, Jr., C. P. A.; Vice President, M. B. McMullen, C. P. A.; Secretary, S. W. Eskew, C. P. A.; Treasurer, Bernhard Bernstein, C. P. A. The following three new directors were elected: M. B. McMullen, C. P. A.; S. W. Eskew, C. P. A.; and E. C. Conley, C. P. A.

Louisiana

The annual meeting of the Society of Louisiana Certified Public

Accountants was held in New Orleans on August 13, 1925.

The society has been quite active throughout the past year and has increased its membership from 40 to 81.

The following officers were elected: President, Henry J. Miller, C. P. A.; vice president, Curtis F. Scott; treasurer, Lanaux Rare-shide; secretary, George A. Treadwell. All of the above-named officers are members of the American Society, Mr. Miller being one of the vice presidents of the society. Mr. Treadwell has been the secretary of the Society of Louisiana Certified Public Accountants for the past five years.

West Virginia

The annual meeting of the Association of Certified Public Accountants of West Virginia was held on August 20, 1925, at the Bank of Commerce, Charleston.

An interesting paper on municipal accounting was read by Jesse L. Cramer, C. P. A., of Parkersburg. A change was made in the constitution providing that holders of certificates of other States, practicing in the State of West Virginia, may become members.

Officers elected for the coming year are as follows: President, Okey K. Hayslip, C. P. A., of Huntington; first vice president, S. Charles Steele, C. P. A., of Fairmont; second vice president, S. A. Blustein, C. P. A., of Charleston; treasurer, N. S. Fitzhugh, C. P. A., of Charleston; secretary, J. P. Vaughan, C. P. A., of Charleston.

HISTORIC RICHMOND

(Continued from page 60.)

Wilton, whose plantation mansion is one of the oldest in this section, is the Colonial home of the Randolph family.

Chaffin's Bluff was a strongly fortified Confederate position after the battle of Drewry's Bluff.

Varina is one of the most historic places on the James. It is famous as the home of John Rolfe and his Indian bride, Pocahontas; and was also the home of Rev. Wm. Stith, whose history of Virginia was written here. It is now a highly developed farm, where pure-bred seed corn is sold throughout the United States.

Curl's Neck, another historic plantation, is now one of the finest farms in the State. It was originally the home of Nathaniel Bacon and was sold to William Randolph after being confiscated. It was bought by C. K. G. Billings in 1913 and made an extensive breeding farm for his fine trotters. The Harvester, Lou Dillon, Uhland and hundreds of other famous horses were kept here. At present it is a modern beef cattle establishment, and produces more pure-bred swine than any other Southern farm.

Turkey Island was Wm. Randolph's first home. He was the common ancestor of Thomas Jefferson, John Randolph, Chief Justice Marshall, Edmond Randolph, Peyton Randolph and General Robert E. Lee. General Pickett owned part of the original estate. Federal gunboats destroyed the old mansion.

One of the most imposing Virginia estates has been known as Westover since 1623. The house was built in 1737 of brick brought from England by William Byrd, father of Col. William Byrd, who founded Richmond. Benedict Arnold landed here in 1781, to march on Richmond. Lord Cornwallis crossed the river here on his march from Petersburg to Yorktown. General Pope and other Union generals made their headquarters here.

Probably the most interesting Eastern trip to be arranged with Richmond as the base would be one circling through Petersburg, Smithfield, Norfolk, crossing Hampton Roads by ferry to Newport News, thence to Yorktown, Williamsburg, Jamestown and back to Richmond.

Near Smithfield is the oldest building of English construction in America and this town is the center of the great Smithfield ham industry, a meat that is nationally famous and one that, due to the method of feeding the hogs and curing the meat, has never been successfully duplicated elsewhere.

Norfolk is a large port city, a naval base and close to the scene of the Monitor-Merrimac engagement in Hampton Roads, the prison in which President Jefferson Davis was confined as well as to the numerous Virginia beaches. Virginia Beach is the more important of these. It is not far removed from Cape Henry, famous for its sanddunes and wild seascapes and as the spot upon which Captain John Smith and his party landed before going to Jamestown. From Newport News most of the Virginia troops sailed for service overseas and it was to this port that they returned. It also is an army and naval base while a large aviation field is nearby.

Yorktown is endeared to all Americans by the fact that it was here Lord Cornwallis surrendered to Generals LaFayette and Washington, terminating the War of Independence. A large hotel, golf links and other attractions are now being developed there, while its fishing is unexcelled. Monuments and the many places associated with the last Revolutionary battles are added attractions.

At Williamsburg the visitor reaches the original capital of the State, the seat of William and Mary College which has graduated three Presidents of the United States, and an attractive old town that has been closely identified with Virginia history.

Jamestown, the first permanent English settlement in America and a town thirteen years old when the Plymouth colony was founded in 1620, is reached by a side trip from Williamsburg. The old church, several statutes and monuments add attractiveness to the natural beauty of the island. The road returning to Richmond leads through country that was the scene of heavy fighting during the War between the States.

Staunton is an attractive town renowned as the birthplace of President Woodrow Wilson.

Natural Bridge is to the south along the famous turnpike which extends through the beautiful Shenandoah Valley. It is a world famous freak of nature, in the heart of the famous "springs" section of the State and itself is a resort of importance.

Guest: "What's the matter with this coffee? It looks like mud."

Waiter: "Yes, sir; it was ground this morning."—Carnegie Puppet.

IN MEMORIAM

It is with much regret that we record the death, on June 9, 1925, of Mr. A. A. V. Thomson, of Philadelphia, Pennsylvania.

Mr. Thomson was the holder of a Pennsylvania C. P. A. certificate and was a charter member of The American Society of Certified Public Accountants, holding Membership Certificate No. 30.

Wilson Lesley Pitcaithly, Sr., C. P. A., Denver, Colo., died on May 12, 1925.

Mr. Pitcaithly was born in Simla, India, in 1847, the son of the Rev. Lawrence Pitcaithly. He received his education at the John Watson Institute, Edinburgh, Scotland.

Mr. Pitcaithly had had many years experience in banking and had been in the practice of public accounting for the past twenty years. He was the holder of Colorado C. P. A. certificate No. 18, granted on October 22, 1907.

VISITORS IN WASHINGTON

July 27 to August 24, 1925

Edwin L. Pride, Boston, Mass.
 Gilbert S. Gilbertson, Fort Smith, Ark.
 J. B. McCabe, Wilmington, N. C.
 Earl S. Clark, Providence, R. I.
 Wm. A. Gillespie, Baltimore, Md.
 Robt. D. Bond, Detroit, Mich.
 T. Coleman Andrews, Richmond, Va.
 Leslie A. Kimball, Richmond, Va.
 Harry E. Lunsford, Kansas City, Mo.
 John J. Helmus, New York City.
 Martin Kortjohn, New York City.
 F. F. Burchard, Grand Forks, N. Dak.
 Edgar L. Myers, Providence, R. I.

C. C. McConkie, Cleveland, Ohio.
 Elisha F. Nunan, Boston, Mass.
 T. D. Thomas, Chicago, Ill.
 John E. Wright, Cincinnati, Ohio.
 S. A. Blustein, Charleston, W. Va.
 A. W. Scruggs, Savannah, Ga.
 James Cameron, New York City.
 Verne R. McDougale, Portland, Oreg.
 A. W. Clapp, Atlanta, Ga.

The Twenty-third Annual Meeting of the Dominion Association of Chartered Accountants will be held at Banff, Alberta, on September 1, 2 and 3, 1925.

H. C. Goettsche, 30 North La Salle Street, Chicago, Ill.

Joseph G. Dingle, 611 La Salle Street, Ottawa, Ill.

Philo L. Crawford, 332 South Michigan Avenue, Chicago, Ill.

Robert Nichols Dedaker, 1405 Merchants Bank Building, Indianapolis, Ind.

Joseph Frances Kehoe, 705 Hobart Building, San Francisco, Calif.

William L. Stewart, 326 West Madison Street, Chicago, Ill.

Henry W. Ragland, 924 Central Building, Los Angeles, Calif.

Elias J. Aye, 606 Bartlett Building, Los Angeles, Calif.

Earle W. Wallick, 915 Southern Building, Washington, D. C.

Thomas William Burman, 1003 Pioneer Trust Building, Kansas City, Mo.

Herbert A. Wheeler, 1025 Washington Building, Los Angeles, Calif.

James Henry Gillin, 519 California Street, San Francisco, Calif.

Frederick Leon Pearce, 815 Fifteenth Street N. W., Washington, D. C.

Linton D. Baggs, Jr., 801 McGlawn Bowen Building, Atlanta, Ga.

Walter E. Heider, Patterson Building, Denver, Colo.

Allen Redeker, 814 Foster Building, Denver, Colo.

F. Tillman Brownne, 530 Foster Building, Denver, Colo.

Crescent A. Parker, 1824 Dime Bank Building, Detroit, Mich.

William U. Ayling, 215 Highland Avenue, Detroit, Mich.

Gilbert Sprague, 1402 First National Bank Building, Detroit, Mich.

James Ferguson Smyth, Crocker Building, San Francisco, Calif.

Hobart Richey, 308 Wheeling Steel Corporation Building, Wheeling, W. Va.

Arthur Gilbert Harter, 122 East Avenue South, Waukesha, Wis.

Carl J. Duggan, 1316 Lemoyne Street, Los Angeles, Calif.

Fred D. Bullock, 485 California Street, San Francisco, Calif.

(Continued in our next issue.)

MEMBERSHIP OF THE AMERICAN SOCIETY

(Continued from our August issue)

(Members recorded from July 27 to August 25, inclusive)

Hector L. Gaudette, care of Lybrand, Ross Bros. & Montgomery, 110 William Street, New York City.

Meyer L. Rosenberg, 155 North Clark Street, Chicago, Ill.

Thomas L. McLeod, 31 Exchange Street, Rochester, N. Y.

Bartholomew C. Kelleher, 48 Eagle Rock Avenue, West Orange, N. J.

N. E. Derrick, 1218 Sumter, Columbia, S. C.

Alfred A. Sullivan, Room 1601, 52 Vanderbilt Avenue, New York City.

J. A. Grannis, 1004 Stahlman Building, Nashville, Tenn.

Arthur O. Reich, 1133 Broadway, New York City.

Edwin C. Doubleday, 216 Pearl Street, Springfield, Mass.

Edwin S. Doubleday, 293 Bridge Street, Springfield, Mass.

J. A. Leach, Jr., 3120 Kensington Avenue, Richmond, Va.

Edmund F. Bard, Highland Avenue, Benton Harbor, Mich.

Edward A. Coughlan, 302 West End Trust Building, Philadelphia, Pa.

Charles E. Wermuth, 722 Canal Commercial Building, New Orleans, La.

John S. Roth, 294 Main Street, Middletown, Conn.

Philip Covitt, 410 Security Building, Bridgeport, Conn.

Joseph F. Dillman, 418 Main Street, Worcester, Mass.

Morris J. Root, 763 South Fifth Street, Philadelphia, Pa.

Robert M. Holtzman, 608 Perry Building, Philadelphia, Pa.

Louis A. Rifkin, 342 Madison Avenue, New York City.

Irving Ornstein, 342 Madison Avenue, New York City.

Francis Small, 2210 Packard Building, Philadelphia, Pa.

Hibbard N. Alexander, 565 Montauk Avenue, New London, Conn.

Francis Gregory Lee, 21 Wadsworth Street, South Manchester, Conn.

William Z. White, 802 Ocean Avenue, New London, Conn.

Walter C. Galbraith, 1014 Merchants Bank Building, Indianapolis, Ind.

Frank L. Alford, 1014 Merchants Bank Building, Indianapolis, Ind.

The Washington Hotel

WASHINGTON, D. C.

Pennsylvania Avenue opposite
United States Treasury

Every Room with Bath, Tub, and
Shower

HEADQUARTERS
Certified Public Accountants

S. E. Bonneville, Manager.

I. T. I.



I. T. I.

The only full INDEX to every official authority on federal income taxes—locates *instantly* Laws, Regulations, Rulings, T. D.'s, Court Cases, and Decisions of Board of Tax Appeals.

Small initial cost—nominal for upkeep.

Income Tax Index Service, Inc.
9-15 Clinton St.
Newark, New Jersey.

STANDARD APPRAISALS

Made by Qualified Experts in all lines

Correspondence Invited.

Standard Appraisal Company

90 John Street, New York

Branches, All Principal Cities.

C.P.A. Examinations Review

THE HIGHEST RATING

awarded by the Board of Examiners in the May, 1925, Institute Examinations was received by one of our students. The award was made under the Elijah W. Sells scholarship fund.

The next examinations for the State of New Jersey and for admission to the Institute will be held in November, 1925.

The lectures in preparation for these examinations will be given at the Engineering Building, 25-33 West 39th Street, New York, and will begin on

MONDAY, SEPTEMBER 21, 1925

Preparation for these examinations and for those of other States may be obtained by

CORRESPONDENCE

covering a period of sixteen weeks.

Complete information may be obtained by applying to

C. P. A. EXAMINATIONS REVIEW

Fisk Building, Broadway at Fifty-seventh Street
New York City

C. P. A. EXAMINATIONS REVIEW

Conducted by

HENRY L. SEIDMAN, B. C. S., LL. B., C. P. A. (N. Y.)

and

JACOB BENNETT, B. C. S., C. P. A. (N. Y.)

THE POST-GRADUATE SCHOOL OF ACCOUNTANCY

Founded in 1912

OFFERS

Resident Course

in preparation for the New York State C. P. A. examination of January, 1926; this course will begin on Monday, September 28, 1925, and extend to January 20, 1926. There will be three evening sessions of three hours each per week.

Correspondence Course

in preparation for the November, 1925, examination begins at your convenience, but should preferably be started on or about July 15, 1925.

Apply for Descriptive Pamphlet,

terms, etc., to

Paul-Joseph Esquerre, C. P. A.

20 Vesey Street, New York City.

Tel. Whitehall 6616.

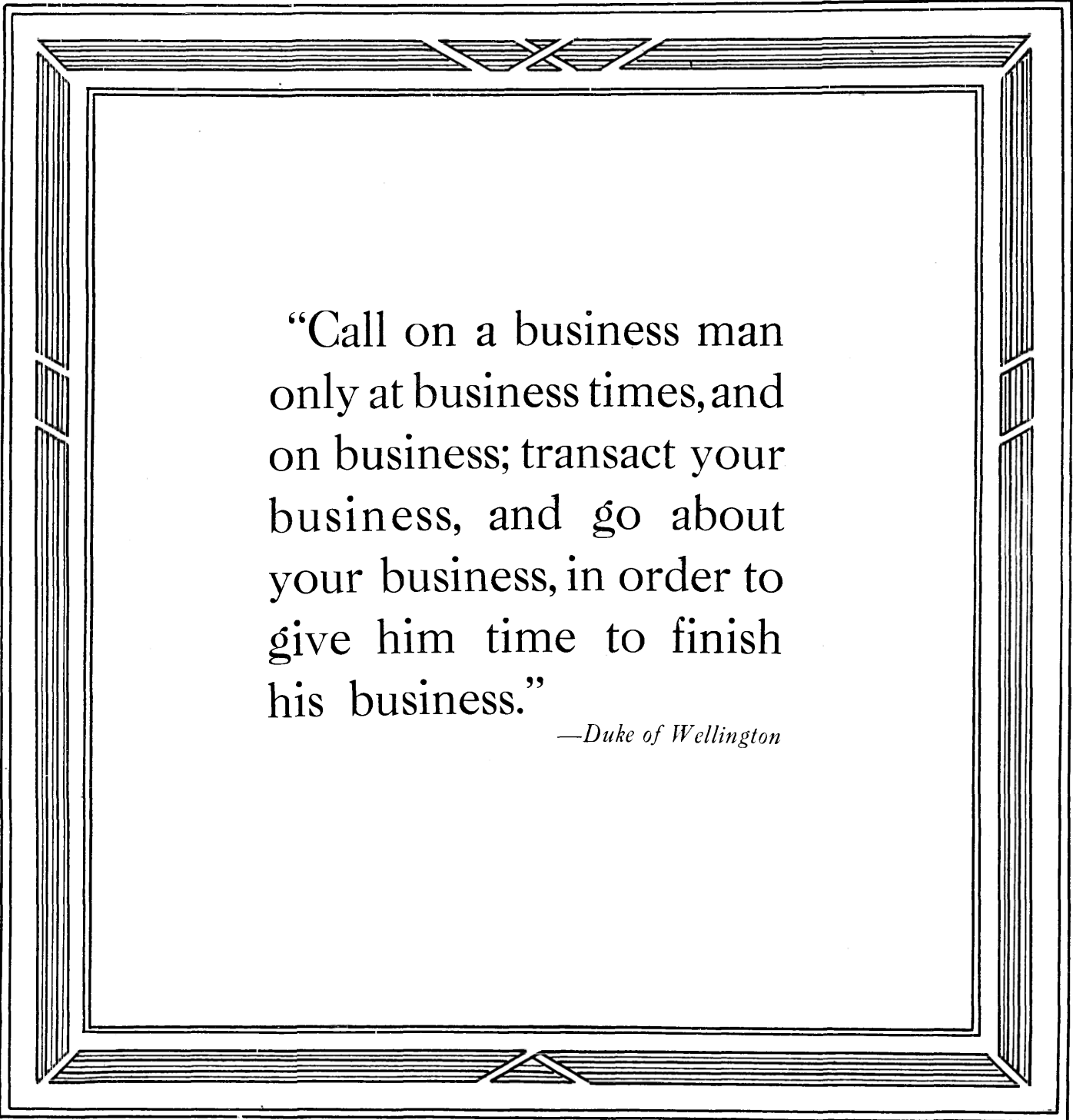
THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 4

OCTOBER, 1925

20 CENTS THE COPY
\$2.00 PER YEAR



“Call on a business man
only at business times, and
on business; transact your
business, and go about
your business, in order to
give him time to finish
his business.”

—*Duke of Wellington*

DEVOTED TO THE INTERESTS OF THE C. P. A., HIS CLIENT, AND THE PUBLIC WELFARE

DIRECTORY OF OFFICIALS

OFFICERS

President:

Harry E. Lunsford, C. P. A.
1003 Pioneer Trust Building, Kansas City, Mo.

Vice Presidents:

Charles Hecht, C. P. A.
Johns-Manville Building, 292 Madison Avenue, New York City.
Edwin L. Pride, C. P. A.
40 Central Street, Boston, Mass.
A. Leé Rawlings, C. P. A.
407-12 Law Building, Norfolk, Va.
Harry B. Scott, C. P. A.
Oliver Building, Pittsburgh, Pa.
H. Ivor Thomas, C. P. A.
220 A. G. Bartlett Building, Los Angeles, Calif.

Secretary:

W. L. Harrison, C. P. A.
736 Woodward Building, Washington, D. C.

Treasurer:

James A. Councilor, C. P. A.
426 Woodward Building, Washington, D. C.

DIRECTORS

First District—

Irville A. May, C. P. A., 129 Church Street, New Haven, Conn.

Second District—

Homer A. Dunn, C. P. A., 35 West Sixty-fourth Street, New York City.
J. S. M. Goodloe, C. P. A., 165 Broadway, New York City.
Robert H. Montgomery, C. P. A., 110 William Street, New York City.

Third District—

C. C. Croggon, C. P. A., 1243 Calvert Building, Baltimore, Md.

Fourth District—

Thomas H. Evans, C. P. A., Dime Bank Building, Detroit, Mich.

Fifth District—

David Himmelblau, C. P. A., 76 West Monroe Street, Chicago, Ill.

Sixth District—

A. C. Clarkson, C. P. A., Loan & Exchange Building, Columbia, S. C.

Seventh District—

Carl E. Dietze, C. P. A., 209 Grand Avenue, Milwaukee, Wis.

Eighth District—

Parry J. Barnes, C. P. A., 1003 Pioneer Trust Building, Kansas City, Mo.

Ninth District—

George K. Edler, C. P. A., Reno National Bank Building, Reno, Nev.

Tenth District—

J. W. Robinson, C. P. A., 1114 North Seventh Street, Boise, Idaho.

AUDITORS

Wm. McK. Evans, C. P. A., Times Dispatch Building, Richmond, Va.
Guy M. Scott, C. P. A., State and City Bank Building, Richmond, Va.
J. M. Culbreth, C. P. A., American National Bank Building, Richmond, Va.

STATE REPRESENTATIVES

Alabama—Otto H. Schultz, C. P. A., American Trust Building, Birmingham, Ala.

Arizona—James M. Lawton, C. P. A., Box 597, Tucson, Ariz.

Arkansas—John H. Worman, C. P. A., 21 Pettit Building, Stuttgart, Ark.

California—R. W. E. Cole, C. P. A., 817 I. N. Van Nuys Building, Los Angeles, Calif. William Dolge, C. P. A., 369 Pine Street, San Francisco, Calif.

Connecticut—Irville A. May, C. P. A., 129 Church Street, New Haven, Conn.

Delaware—Alfred H. Coe, C. P. A., DuPont Building, Wilmington, Del.

District of Columbia—James A. Councilor, C. P. A., 426 Woodward Building, Washington, D. C.

Colorado—Louis C. Linck, C. P. A., 601 U. S. National Bank Building, Denver, Colo.

Florida—Walter Mucklow, C. P. A., 420 Peninsular Casualty Building, Jacksonville, Fla.

Georgia—W. C. Jackson, C. P. A., 1423 Atlanta Trust Company Building, Atlanta, Ga.

Hawaii—Edward V. Wright, C. P. A., Waity Building, Honolulu.

Idaho—Jeremiah W. Robinson, C. P. A., 1114 N. Seventh Street, Boise, Idaho.

Illinois—George P. Elis, C. P. A., 30 North La Salle Street, Chicago, Ill. David Hammelblau, C. P. A., 76 West Monroe Street, Chicago, Ill. George W. Rossetter, C. P. A., Harris Trust Building, Chicago, Ill.

Indiana—H. A. Roney, C. P. A., 819 State Life Building, Indianapolis, Ind.

Iowa—A. H. Hammarstrom, C. P. A., 208-9 Weston Building, Clinton, Iowa.

Kansas—Charles A. Smith, C. P. A., 316 Wheeler, Kelly, Hagney Building, Wichita, Kans.

Kentucky—William Cotton, C. P. A., 1428 Inter-Southern Building, Louisville, Ky.

Louisiana—R. J. LeGardeur, C. P. A., 603-7 Carondelet Building, New Orleans, La.

Maine—George M. Graffam, C. P. A., 415 Congress Street, Portland, Me.

Maryland—Charles C. Croggon, C. P. A., Calvert Building, Baltimore, Md.

Massachusetts—H. C. Bentley, C. P. A., 921 Boylston Street, Boston, Mass. Herbert F. French, C. P. A., 100 Summer Street, Boston, Mass. Daniel B. Lewis, C. P. A., Park Square Building, Boston, Mass. Edwin L. Pride, C. P. A., 40 Central Street, Boston, Mass.

Michigan—Thomas H. Evans, C. P. A., Dime Bank Building, Detroit, Mich. Frederic A. Tilton, C. P. A., 1630 First National Bank Building, Detroit, Mich.

Minnesota—A. F. Wagner, C. P. A., 532 Security Building, Minneapolis, Minn.

Mississippi—Nelson E. Taylor, C. P. A., 218 East Jefferson, Greenwood, Miss.

Missouri—Parry J. Barnes, C. P. A., 1003 Pioneer Trust Building, Kansas City, Mo.

Montana—E. E. Murray, C. P. A., Northern Hotel Building, Billings, Mont.

Nebraska—William Bryden, C. P. A., 633 Securities Building, Omaha, Nebr.

Nevada—George K. Edler, C. P. A., Reno National Bank Building, Reno, Nev.

New Hampshire—Clarence I. Drayton, C. P. A., 922 Elm Street, Manchester, N. H.

New Jersey—Frank G. DuBois, C. P. A., 1009-1010 Kinney Building, Newark, N. J.

New York—Alexander S. Banks, C. P. A., 7 Dey Street, New York City. Homer A. Dunn, C. P. A., 35 West Sixty-fourth Street, New York City. Paul-Joseph Esquerre, C. P. A., 20 Vesey Street, New York City. J. S. M. Goodloe, C. P. A., 165 Broadway, New York City. Harold Dudley Greeley, C. P. A., 25 West Forty-third Street, New York City. Charles Hecht, C. P. A., 292 Madison Avenue, New York City. William M. Lybrand, C. P. A., 110 William Street, New York City. John T. Madden, C. P. A., 32 Waverly Place, New York City. Robert H. Montgomery, C. P. A., 110 William Street, New York City.

New Mexico—C. C. Boldt, C. P. A., Los Lunas, N. Mex.

North Carolina—Frederick Moore, C. P. A., 10 Vail Avenue, Charlotte, N. C.

North Dakota—J. A. Cull, C. P. A., 44 Edwards Building, Fargo, N. Dak.

Ohio—Walter D. Wall, C. P. A., 44 West Gay Street, Columbus, Ohio. Philip G. Ward, C. P. A., Hanna Building, Cleveland, Ohio.

Oklahoma—Burney R. Clack, C. P. A., 207 Richard Building, Tulsa, Okla.

Oregon—E. M. Wilson, C. P. A., Liberty Building, Medford, Oreg.

Pennsylvania—W. W. Colledge, C. P. A., Farmers Bank Building, Pittsburgh, Pa. Horace P. Griffith, C. P. A., Franklin Trust Building, Philadelphia, Pa. I. C. Snyder, C. P. A., Farmers Bank Building, Pittsburgh, Pa.

Rhode Island—S. George Hay, C. P. A., Hospital Trust Building, Providence, R. I.

South Carolina—A. C. Clarkson, C. P. A., Loan and Exchange Building, Columbia, S. C.

South Dakota—George A. Anderson, C. P. A., Aberdeen, S. Dak.

Tennessee—Edward S. Elliott, C. P. A., Bank of Commerce Building, Memphis, Tenn.

Texas—A. C. Upleger, C. P. A., Waco, Tex.

Utah—W. E. Nissen, C. P. A., 1505 Walker Bank Building, Salt Lake City, Utah.

Vermont—Orris H. Parker, C. P. A., 16 State Street, Montpelier, Vt.

Virginia—A. M. Pullen, C. P. A., 1103-6 State and City Bank Building, Richmond, Va.

Washington—A. S. Hansen, C. P. A., Leary Building, Seattle, Wash.

West Virginia—Okey K. Hayslip, C. P. A., P. O. Box 642, Huntington, W. Va.

Wisconsin—Carl E. Dietze, C. P. A., 209 Grand Avenue, Milwaukee, Wis.

Wyoming—Charles H. Reimerth, C. P. A., 401 O. S. Building, Casper, Wyo.

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 4

OCTOBER, 1925

20 CENTS THE COPY
\$2.00 PER YEAR



WE FIND THAT—

The New York State Society of Certified Public Accountants had a total membership of 867 on May 11th, at the close of the fiscal year 1925.

Since the first C. P. A. law was approved by the Governor of New York on April 17, 1896, every state in the Union and the following possessions and political subdivisions, Alaska, District of Columbia, Hawaii and the Philippines have passed C. P. A. laws.

During the fiscal year ended August 31, 1925, the membership of the American Society increased more than 84 per cent over the membership at the beginning of the year.

The records of the Society show that on August 31, 1925, according to information furnished by the several Boards of Accountancy that 9411 Certified Public Accountant certificates had been issued.

There were 1813 Certified Public Accountants in New York State on August 31, 1925. This included C. P. A.'s of New York and other states.

There are now six states that have passed laws designed to completely regulate the public practice of accounting. They are Illinois, Louisiana, Maryland, Michigan, North Carolina, and Tennessee.

There are now over 7400 Certified Public Accountants holding certificates granted by the states and other political subdivisions of the United States.

The membership of The American Institute of Accountants was 2009 on August 31, 1925, composed of 1600 members and 409 associates.

THE CERTIFIED PUBLIC ACCOUNTANT will be found on the shelves of every public library in the United States if there is a Certified Public Accountant residing in the city.

The files of The American Society contain the names and addresses of over 25,000 accountants and those interested in accounting.

CONTENTS

	Page.
The President's Message (By Harry E. Lunsford, C. P. A.)	86
Editorials:	
"The Complexity of Theories and the Simplicity of Practice" (By Frank Wilbur Main, C. P. A.)	87
"How Far Should We Go With Publicity?" (By Frank Wilbur Main, C. P. A.)	88
Meetings of Board of Directors	88
Fourth Annual Convention of The American Society of Certified Public Accountants	89
Report of Edwin L. Pride, President	93
Report of Wilbur L. Harrison, Secretary	97
"Recent Legislation on Income Taxes in Wisconsin," (By C. F. Sammond, C. P. A.)	101
Examination Questions—Kentucky	103
"Some Minor Suggestions as to Audit Working Papers," (By F. L. Wood, C. P. A.)	105
Announcements	108
Address of Welcome, (By Honorable E. Lee Trinkle, Governor of Virginia)	109
State Society News	110
State Board News	113
In Memoriam	114
Membership List (Continued)	115
Personals	115
Visitors in Washington	116

THE CERTIFIED PUBLIC ACCOUNTANT

The Official Organ of
The American Society of Certified Public Accountants

Published by The American Society of Certified Public Accountants, Woodward Building, Washington, D. C.

Editor: WILBUR L. HARRISON
Business Manager: F. S. CHAPPELL

Subscription price per year of twelve issues, \$2.00; twenty cents the copy.

All communications should be addressed to the Editor.
Printed by the Terminal Press, Inc., 923 Eleventh Street N. W., Washington, D. C.

THE PRESIDENT'S MESSAGE

BY HARRY E. LUNSFORD

IT OCCURS to me that the history of the American Society of Certified Public Accountants is to a very large extent a history of the awakening of the Certified Public Accountant to a realization that as a member of perhaps the newest profession it behooves him to stand forth before the world, secure in his position as a man licensed by his own government to pursue his profession and responsible to that government, as well as to his professional society and to his own conscience, for his proper conduct as an upright and ethical practitioner.

Every State in the Union, as also the District of Columbia, the Territory of Alaska, the Hawaiian Islands and the Philippine Islands, now has a law providing for the licensing of Public Accountants. The term "Certified Public Accountant" has been conclusively established as the title by which the practitioner of public accounting in the United States is to be henceforth known. Several of the States have provided in addition to the designation

"Certified Public Accountant" another class of licensed practitioner to be known as "Public Accountant"; with one exception, however, there will be no accessions to the ranks of those licensed as "Public Accountants" since all future licensees will be designated as "Certified Public Accountants." Conditions have now reached the stage where the business public has a right to expect that every person attempting to practice as a public accountant will be a Certified Public Accountant, and will be disposed to inquire closely into the reasons for the lack of this qualification upon the part of any person attempting to practice who has not attained it.

The aims and objects of The American Society of Certified Public Accountants are to increase the respect and esteem in which the Certified Public Accountant is now held; to secure the passage of wise and conservative laws looking to the protection of the Certified Public Accountant and to prevent the passage of legislation designed to injure the standing or lower the standards of the accountancy profession as represented in the Certified Public Accountant. These

objects may be classified as the external objects of the Society. The Society is also charged with the duty of improving the standards of the profession from within. To this end, the Society must endeavor to awaken in every Certified Public Accountant a deep sense of the great moral obligation incumbent upon him to maintain the highest standards of professional conduct in his relations with the public, with the members of his own organization and with his fellow practitioners. The Society should endeavor to encourage friendly intercourse between members of the profession to the end that uniform standards of practice shall prevail. Opportunities should be provided whereby the practitioner in remote places may obtain the benefit of the counsel and advice of his fellow practitioners located in the more populous cen-



PRESIDENT HARRY E. LUNSFORD

ters and every effort should be made to bring about a uniform standard of excellence in all professional engagements wherever the work may be performed.

The American Society is the only organization national in scope having all of these aims and objects, and the Society stands willing to cooperate with every other organization of professional accountants to the fullest possible extent in the attaining of the purposes for which it has been organized. The Society also confidently expects that full cooperation will be extended it in return by all such organizations. It is the desire of the Society to work in perfect harmony with the State Societies of Certified Public Accountants and it is my hope that during the forthcoming year substantial progress will be made in defining and placing in operation plans for efficient cooperation between the various State organizations and the Society.

Recent developments have emphasized the unique position of The American Society as the only national organization devoted exclusively to the welfare of the Certified Public Accountant and there is no longer any reason why any person entitled to use the designation "Certified Public Accountant" and to append the letters "C. P. A." to his name should hesitate in joining the American Society and lending the weight of his individual effort to the purposes which the Society is striving to accomplish.

THE COMPLEXITY OF THEORIES AND THE SIMPLICITY OF PRACTICE

PRACTICE in its final application is always simplicity itself. The theories, through which this practice has traveled to reach its ultimate goal are always complex and often seemingly impossible of complete understanding, if not of solution.

An everyday illustration—We press a button, and the room is flooded with light—nothing could be simpler in practice. The theories underlying the development and control of electricity and the use thereof are, however, so complex and hidden that man, for thousands of years, knew nothing thereof and even after the general principles of electrical energy were uncovered our present simple practices were worked out only through the untiring and painstaking efforts of electrical engineers, geniuses and specialists.

A further illustration—we pick up the telephone and talk to our friends, hundreds, if not thousands of miles away. Absolute simplicity in practice—and yet how many understand, in even a general way, the complexities and the difficulties in the solution of the principles underlying the development of the telephone, all of which had to be worked out.

The same factors hold true in sports. Mr. W. J. L. Patton, the winner of the Durand W. Springer golf cup

at Richmond this year, stands up at the tee and in the most simple, easy manner swings his club, and the little golf ball goes flying down the fairway, straight as an arrow and far. It is so easily done that we marvel not that his score was 85 but rather that it was not 75. Those of us who turn in Civil or Spanish War scores, and all who have taken even a few lessons in golf, realize that the theories underlying even the taking of a correct stance are not so very simple, and when the pupil tries to keep in mind and to put in practice all the things that he must do, to say nothing of all the things that he must not do, in order to obtain a correct "follow through," he realizes that nothing in this life is as simple as it seems.

A surgeon uses but a few instruments. The preliminary preparation of the patient is all taken care of by nurses and assistants. All he does is to take a sharp knife and make a few cuts. Very simple—and yet if the surgeon happens to be one of the Mayo brothers, of Rochester, Minn., he will have a gallery made up, not of young practitioners, but of many of the famous medical men of the world who have come long distances to try and catch something of the skill and touch of a greater master.

Back of the few deft motions of William and Charles Mayo is not only a father who was a physician, and a natural aptitude, but years and years of study and preparation, to say nothing of the years of preliminary practice as two young western doctors.

S. Leo Ruslander, Esq., in an article in the September issue of this magazine, called attention to the long years of study, preparation and preliminary humdrum practice necessary in order to succeed in any big way as either a lawyer or certified public accountant, and argued therefrom the improbability of any man, in the short span of life, succeeding in a big outstanding way in both professions:

The message of this editorial is not for the certified public accountant, who has had his certificate for many years. If experience, the great teacher, has not taught him some of the truths of life, this editor, nor no one else, can teach him much.

This message is to the young certified public accountant, who, while he probably believes that he has the professional "world by the tail" through having obtained his certificate, is yet seeking the guide posts of the future, which will lead him to useful and successful achievement.

We hear so much of the advance of our profession that we do not always realize that even upward progress is always more or less see saw—forward and backward, and then forward again.

In many places and many ways, accounting has been a disappointment. For instance, many trade associations are thoroughly dissatisfied and disgusted with their uniform systems.

Among others, there are two main reasons for this latter condition. Because one association has suc-

ceeded in getting a satisfactory basic system, it does not follow that any Tom, Dick or Harry can in a very casual way work out a satisfactory system for a neighboring association.

A still more important truth is often usually overlooked. It is very rare that an entirely complete and satisfactory system can be established at the start. The system must be developed slowly over a period of time. The horseless carriage of twenty years ago was not the smooth running noiseless and high powered automobile of today, and yet fundamentally it was built on correct principles. However meagre or incomplete a system may be, the one important point is—is it built on sound principles. If so, over a period of years it can be developed, and the trade educated to use it—the latter a much harder task.

Our profession is in its infancy, a marvelous future lies ahead. To travel the roads that stretch before us will require of the younger members who are constantly joining our numbers, ceaseless efforts, untiring application and rare judgment and skill. From these efforts we will get better results, which from their simplicity in practice will make certain accepted present day methods seem most crude and inefficient.

FRANK WILBUR MAIN.

HOW FAR SHOULD WE GO WITH PUBLICITY?

OUR profession faces the bald issue of whether or not "it pays to advertise." In all walks of business life, except a few restricted professional paths, the advertiser is king. If you made the best fountain pen in the world and were told that you could not send out salesmen to solicit orders or advertise your pen, or pay commissions in securing orders, you would severely condemn every such hindrance and do everything in your power to overcome it.

It is recognized that there is bad advertising, there is false advertising, there is harmful advertising, but this editorial deals with only such advertising as is truthful and dignified.

Is it highly reprehensible and does it lower the standards of the profession to advertise the benefits that prospective clients can obtain by the employment of accountants? Certainly not, if the advertising is carried on by a national or state association. Then what difference in principle if the cost is borne by an individual firm? In view of the general ignorance of business men of the advantages to be obtained from such services, it seems a work of supererogation to argue that it is unprofessional, by proper advertisements, to educate, to his own advantage, the ignorant business man. Are those who say that all advertising is self praise, and therefore reprehensible, not fooling themselves? That this ignorance with respect to our profession is not imaginary is shown by the step backward just taken by the Legis-

lature of Illinois in the act just passed covering the status of accountants in that State.

Who is the most useful member of our profession—he who in public condemns advertising but privately seeks business through attendance at church, speaking at conventions, publishing articles, joining clubs and cultivating for business reasons those to whom under ordinary circumstances no attention would be paid, or—he who seeks to educate the business public, the State and National legislators by dignified publicity as to the value of the accountant's services and then by strict attention and fidelity to the work entrusted to him relies on the reputation thus acquired to build up a well-merited reputation for professional honesty?

FRANK WILBUR MAIN.

MEETINGS OF BOARD OF DIRECTORS

THE BOARD OF DIRECTORS of The American Society in accordance with the provisions of the Constitution and By-Laws, met on September 9, 1925, at the Jefferson Hotel, Richmond, Virginia.

Ten of the twenty members were present.

The reports of the President, Secretary and Treasurer were read and approved for submission to the general meeting on September 10th. A general discussion took place regarding the work of the past year and plans for the future. A report was made by the Secretary to the effect that the mail ballot sent out to the membership on August 1, 1925, submitting certain changes in the present Constitution and By-Laws, had not been carried up to the time of the meeting, as less than half of the membership had voted. It was then ordered that the ballot be closed and the amendments lost. However, the subject was passed to the incoming Board of Directors for further consideration. The meeting adjourned at 1.00 p. m.

The newly-elected Board of Directors in accordance with the Constitution and By-Laws met in Richmond on Saturday morning, September 12, 1925, the retiring president, Mr. Pride, presiding. The Secretary reported that the result of the election for Directors in the mail ballot had by the State Representatives during August showed the following to be elected:

First District, Irville A. May, New Haven, Conn.

Second District, Homer A. Dunn, New York City; J. S. M. Goodloe, New York City; Robert H. Montgomery, New York City.

Third District, C. C. Croggon, Baltimore, Md.

Fourth District, Thomas H. Evans, Detroit, Mich.

Fifth District, David Himmelblau, Chicago, Ill.

Sixth District, A. C. Clarkson, Columbia, S. C.

Seventh District, Carl E. Dietze, Milwaukee, Wis.

Eighth District, Parry J. Barnes, Kansas City, Mo.

(Continued on page 115)

Fourth Annual Convention of The American Society of Certified Public Accountants

THE fourth annual meeting of the American Society of Certified Public Accountants was held at Richmond, Va., on Wednesday, Thursday, Friday and Saturday, September 9, 10, 11 and 12, 1925, at the Hotel Jefferson. The reception tendered those present by the Virginia Society of Public Accountants possessed the usual southern hospitality and the weather man added considerable warmth to the occasion. Members were present from twenty-five states and the District of Columbia, which was the largest representation we have had at any meeting thus far held. Social features were interspersed with business sessions and while the attendance at the various sessions was not quite as large as at Detroit the year previous, this was easily accounted for by the fact that Detroit furnished a larger number of local members than did Richmond.

Wednesday morning, the 1925 Board of Directors held a session, the report of which appears on page 88 of this issue.

Wednesday afternoon, the members and the guests were taken by auto to the Country Club of Virginia. The ladies and a few of the gentlemen indulged in bridge; the golfers vied with each other in piling up large scores over a course which was somewhat deceptive to one who was not familiar with it; the trapshooters repaired to the Richmond Gun Club nearby and competed for the new trophy given by the Virginia Society of Public Accountants. A. C. Upleger of Texas, the winner of the Durand W. Springer Golf Cup at Detroit, was obliged to surrender the same to W. J. L. Patton of Richmond, whose 85 was the result of a remarkable game played by him. D. H. McCollough of Charlotte, N. C., won the Trapshooters Cup presented by the Virginia Society,

Wednesday evening a meeting of the Representatives was held. During the three hour session reports were presented from the several states pertaining to the relations between the State Boards of Accountancy and the State Societies, the general prosperity of State Societies of Certified Public Accountants, with suggestions as to ways in which the American Society could be of more assistance in their respective states. A synopsis of this meeting will appear in a later issue in connection with the Legislative Committee's report.

The fourth annual meeting was called to order in the auditorium of the Hotel Jefferson, which was the headquarters for the convention, at 10.20 Thursday morning, September 10, by President Edwin L. Pride, of Massachusetts. The invocation was offered by Reverend Elmer C. Pedrick, rector of St. Thomas Protestant Episcopal Church.

President Pride presented Mr. R. J. Walker, the president of the Virginia State Society, who introduced the Governor of the State in the following manner:

"It gives me great pleasure to speak as the president of the Virginia Society and to welcome you to our city this morning. We have with us today the Governor of the State, who has always been very helpful to accountants and who has worked with us at all times. It gives me great pleasure to introduce Governor Trinkle to you at this time."

The Governor's address of welcome appears on page 109 of this issue.

President Pride, speaking to the Governor, at the close of his address:

"Governor Trinkle, it certainly is very fine of you to come here and lay aside your State duties to greet our guests and members of the American Society of Certified Public Accountants. We assure you we appreciate your wel-

come and your greeting and in behalf of the guests and the members of the Society, I want to thank you for being with us this morning."

President Pride presented his annual report, which appears on page 93 of this issue.

Homer A. Dunn, of New York, nominated the following auditors in accordance with Article 7 of the by-laws: William McK. Evans, J. M. Culbreth, Guy M. Scott, all of Virginia. The nominations were seconded and they were unanimously elected by the convention.

J. S. M. Goodloe, of New York, spoke as follows:

"We have all heard with interest, and I am sure with appreciation, the report of our president. I believe that I am in order, at this time, to move the acceptance of that report and that it be made a part of our record and that we extend our thanks to President Pride for his able and efficient administration and report."

The motion was seconded and unanimously carried with a rising vote of thanks.

• Secretary Wilbur L. Harrison presented his annual report, which appears on page 97 of this issue, following the reading of which the report was accepted for filing and he was given a vote of thanks of the members in appreciation of the work which he has done.

Secretary Harrison then presented the financial report of the Society, the treasurer not being able to be present until Friday. This report will appear in the November issue. On motion of Charles W. Saussy, of Georgia, the report was received and referred to the Auditing Committee.

President Pride called attention to the fact that in the secretary's report, reference was made to the deaths that had occurred during the year. He suggested a committee to draft some resolution to be placed upon our records with re-

gard to the members who had thus left us, making special reference to the death of Philip B. Price, whom many of the members met at Detroit last year. The delightful way in which he received and cared for those present when he was chairman of the convention committee will never be forgotten.

Gardner W. Kimball, of Pennsylvania, moved the appointment of a committee and suggested that the convention rise, paying a silent tribute to the memory of the departed members. The president appointed J. S. M. Goodloe of New York, James F. Hughes of New Jersey and Frederic A. Tilton of Michigan as a Memorial Committee.

D. W. Springer, of Michigan, chairman of the Legislative Committee, presented his report, following which there was a short discussion. The report and the discussion will appear in the November issue. The meeting adjourned at 12.15.

The members and guests attending the Convention were entertained on Thursday afternoon by the Virginia Society of Public Accountants. After taking a group picture at the hotel, which picture will be reproduced in the November issue of *The Certified Public Accountant*, about two hundred of those present were transported in busses to the wharf on the James River where the party embarked for a trip down the river to Westover-on-the-James.

This feature of the Convention was one never to be forgotten, both on account of the delightful trip down the river and the excellent opportunity which it afforded for a closer acquaintanceship among the members and guests.

The trip down the river was along one of the most historic sections of Virginia and was thoroughly enjoyed by every one present.

An excellent buffet dinner was served on board and dance music was furnished throughout the entire trip by the lively Smith-Hays Orchestra. The boat landed at

Richmond on the return trip at eleven o'clock p. m.

The Friday morning session was opened at 10.20 by President Pride. Edward R. Burt, of New Jersey, chairman of the Committee on Advertising Department of the *Official Organ*, was unable to be present but his report will be printed in a later issue.

Frank Wilbur Main, of Pennsylvania, presented the report of the Editorial Committee which will appear in a later issue.



A. M. PULLEN, C. P. A.

Chairman, General Convention Committee

A. C. Upleger, of Texas, chairman of the Committee on Ethics, presented his report, which will also appear later. The president suggested that this report be accepted and Mr. Upleger thanked for the work which had been put upon the same. He then thought the report should be referred to the incoming Board of Directors for their consideration with a request that they report back to another convention their recommendations with regard to the matter.

Mr. Saussy, of Georgia, suggested that the motion should em-

body authority to the Board of Directors to pass upon the proposed code and present it as one which should govern Certified Public Accountants without having it referred back to the meeting for further consideration. He said:

"We all want to live up to high ideals. There are high ideals expressed in that code and I think we ought to support the committee in its recommendations and bring the matter to a head here but leave it to the directors for the final definite decision. When they report upon the code, it should be published in pamphlet form and a copy of the pamphlet given to each member of the Society so that he may read it and subscribe to it. In fact, I think it would be a good idea to have it in pamphlet form, so that it can be distributed among our clients and friends."

Mr. Dunn suggested that it might be necessary to provide an amendment to our constitution or by-laws in order to accomplish the acceptance of this code of ethics or rules for professional conduct. There are two methods by which amendments, if necessary, can be secured. He believed, however, that before definite action is taken, the committee's report should be published so that all members, even though not present, might read it at their leisure. When finally adopted, it should be the result of such general discussion and understanding that it shall represent the desire of the membership as a whole.

Mr. Upleger called attention to the fact that the code as presented in his report was practically the same as that published in *The Certified Public Accountant* a year ago and furthermore that the matter has been up for discussion for two years.

E. M. Blaylock, of Idaho, called attention to the fact that there were only three points that needed to be considered; that the matter had been deliberated upon for a long time and that he was in favor of bringing it to a conclusion if possible. The three points which should be considered were:

"First, is there any point promulgated therein that we object to; Second, is there any other point that arises

in your mind that ought to be incorporated in the code; Third, would you like as a body or as individuals to have a copy of these principles that have been enunciated to deliberate upon privately for a stated length of time and then return with your approval or criticism to the officers for final action? If these three questions could be voted upon and, as a result of the vote, the present code appears satisfactory and there is no desire for further deliberation, we might as well pass on it today."

Mr. Saussy asked for further information with regard to the procedure which would be necessary in adopting a code in view of the point which had been raised or at least suggested by Mr. Dunn. He referred to a remark made by Mr. Hamel, former chairman of the United States Board of Tax Appeals, to the effect that he believed it would be a good plan for the American Society to adopt some code of ethics so that it could be presented as showing what the Certified Public Accountants, as such, stood for. While, as individuals, we obtain our authority to use the designation from the several states by which our certificates have been issued, as an organization, we can bind ourselves closer together and exert a greater influence by having a code of ethics under which to work.

Mr. Springer stated that he believed the question at issue was one not covered by either the constitution or by-laws, and therefore whatever action was taken should be based on common sense, as it could not be based on any specific pronouncement. He said:

"A code of ethics which shall have any value must necessarily be one that has the endorsement of the individual members of the organization as a whole. I think that it would be possible for this body to formally adopt a code of ethics and I don't believe that any court in the land would decide that we did not have such a right, but I think that it would be a highly unsatisfactory method of attaining the end that we have in view. It seems to be that the wise procedure would be for us to pass this question to the Board of Directors and authorize them in turn to present the code to the members for their adoption by mail vote. The policy of the American Society that stands out more prominently

than any other is that of, in the last analysis, obtaining the views of the members by correspondence, realizing that we are no different than any other national organization in that a comparatively small number of our members are present at any meeting. While the members in each State have selected representatives and the representatives by groups have selected directors, nevertheless in a matter as important as a code, I am of the opinion in the absence of any specific statement that the plan suggested is the proper one and I therefore move that the code be re-

Upleger is evidenced by the fact that I made him chairman of the committee, so that what I say is not intended in any way to detract from the very excellent work which that committee has done. I don't believe that it is possible for us to reduce the code to the size of the Ten Commandments, even though all our religious law is based upon them, but I do believe that the value from a publicity standpoint of this code and its value as a practical application is going to be determined almost entirely upon the extent to which it can be made brief and concise."

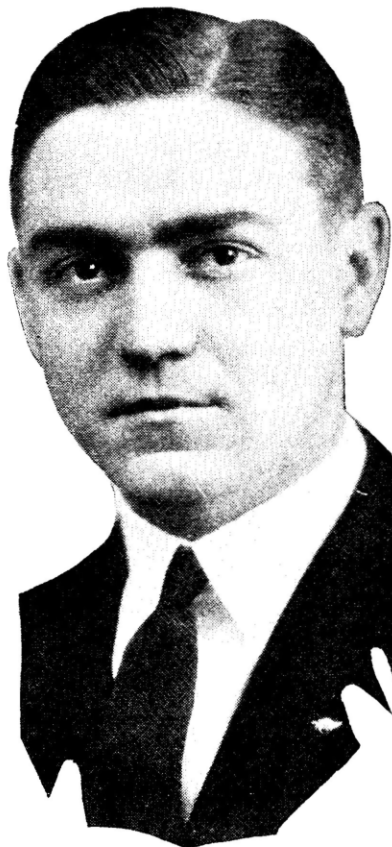
Mr. Dunn supported Mr. Main's amendment as he believed it very important that the Board of Directors should be given full latitude. He said:

"If we are going to make an impression on the public, and I use 'public' broadly, which includes the Board of Tax Appeals and every governmental branch or functionary, our—I can hardly say code of ethics, because it is rather obnoxious to me; I prefer to say rules for professional conduct—should be concise and clearly understandable, they should be boiled down. The New York State Society had a similar proposition under discussion for in the neighborhood of five years, but finally adopted a concise set of rules for professional conduct as a part of the constitution and the by-laws of that organization, the meaning of which no man could mistake. Those rules in one particular respect, set forth what a certified public accountant should do, not 'shall,' not oligarchy."

Mr. Dunn further suggested that the rules in the New York State Society and the rules adopted by the Mississippi Board of Examiners might be considered by the Board of Directors along with the rules of the American Bar Association which have been under formulation for several generations and which are still changed from time to time as the result of judgment gained from experience.

Mr. Wright, of New York, spoke of the fact that some members of the American Society were also members of the American Institute which organization already has a code and he inquired whether that code had been taken into consideration by our committee.

Mr. Upleger, replying to the question, indicated that his committee had considered not only the



T. COLEMAN ANDREWS, C. P. A.
Secretary, General Convention Committee

ferred to the Board of Directors with authorization to present the same to the members and with further authorization to make such suggested changes in text, along with the report, as they may desire."

Mr. Main supported the motion, asking that one modification be made to the effect that if possible when the matter is referred by the Board to the members that it be still further shortened. He said:

"My interest in the work of this committee I think is evidenced by the fact that I appointed the first Committee on a Code of Ethics. My respect for Mr.

codes of New York and Mississippi to which reference had been made by Mr. Dunn but also a proposed code for Michigan and the code of the American Institute of Accountants. They had also consulted the Committee on Better Business of the Rotary Club which makes a specialty in codes and which has been trying for years to get a code of ethics in every craft and profession. Mr. Upleger further stated that the committee agreed with Mr. Main that the code should be condensed if possible, but felt that they had exhausted their ability in that direction, and they would be glad to have the directors try their hand at it, and that the committee was especially anxious that something definite be done. They believed that much delay is apt to spoil the beneficial effects which might otherwise be secured from an adoption of a code of ethics, or rules of professional conduct.

Mr. Wright believed that as professional men we ought to have a code, but believed that as there are two national bodies of public accountants, the two codes, if each adopts one, should dovetail together so that there would not be an apparent disagreement and for that reason he would like to see something worded very much the same as the code of the American Institute of Accountants, so that whenever our rules are placed before any other organization they will know exactly where we stand.

Mr. Springer said:

"As I understand it, the code of the American Institute and the proposed code of the American Society would not in any way conflict with each other. In the code as prepared, there are no points at which we take an opposite view from that taken by the American Institute, but we do not include some things that the American Institute does include and which they deem to be of great importance but which others do not think have any particular value. There would be no conflict whatever as far as each touched upon points included by the other. They both head toward the higher standards of professional practice."

Following this discussion, the report of the Committee of Ethics

was received, referred to the Board of Directors for such changes as they may desire to suggest, and the Board was requested to then present the matter to the membership for mail vote.

T. W. Howard, in charge of Cost Accounting, Department of Manufacture, of the Chamber of Commerce of the United States of America, presented a paper on "The Cost Accounting movement in the Chamber of Commerce and Trade Associations." His paper will be printed in full in a later issue.

President Pride announced that Mr. Korner, chairman of the United States Board of Tax Appeals, who was scheduled for an address at that time, would not be able to be present and had sent the following letter of explanation to the Society:

"On my return to the office from Europe, I found the letter of your president, Mr. Pride, inviting me to address the meeting of your Society in Richmond, on the 11th. I found also that in my absence Judge Graupner had accepted this invitation on my behalf. He further stated that if I could not come, some member of the Board would be designated in my place.

"On my return to the office, I was confronted with a situation which makes it impossible for me to fulfill this engagement made for me by Judge Graupner and makes it equally inadvisable for a member of the Board to come.

"During the months of July and August a very large number of decisions were written up and as you know, one of our members, Mr. Ivins, is resigning this week. It is imperative that these decisions be passed upon before Mr. Ivins' resignation because he took part in many of them. For that reason we are holding Board meetings this week every day and every night. We are making every effort to clean up this accumulation of decisions before we resume our hearings on next Monday. I say all of this by way of explanation of the situation which exists here. I trust that you will understand the exigencies of the situation.

"It is with reluctance and genuine regret that I am forced to write this letter. On last Saturday I called your Mr. Springer and explained the matter to him, and he stated that he would make the matter clear to you. Last night, Mr. Springer called and asked

that I write this letter for the purpose of your record.

"I have just been in touch with Mr. Charles D. Hamel, former chairman of the Board, who tells me that he expects to be in Richmond and will address your Society, and in such address will cover the Board of Tax Appeals. I feel that under these circumstances the Society will have the benefit of an excellent talk on this subject.

"The Society is of great interest to all of the members of the Board and all of us regret the inability of any of us to appear."

President Pride, in introducing the next speaker, said:

"We do have with us today, Mr. Hamel, who is not a stranger to many of us. He was chairman of the United States Board of Tax Appeals when that Board extended to certified public accountants the same privileges that were accorded to members of the bar. It is admitted by all that this action of the Board was the greatest recognition ever given the accounting profession. The action of the chairman of that Board at that time and the firm stand which has since been taken in the defense of certified accountants prompts me to tell him that we admire him. It gives me great pleasure to present to you at this time Mr. Charles D. Hamel, of Hopkins, Starr, Hopkins and Hamel, Washington, D. C."

Mr. Hamel's address will appear in a later issue. The meeting adjourned at 12.15.

The afternoon session was called to order at 2:30. Alexander S. Banks, of New York, as Chairman, presented the report of the Committee on Membership. This will appear in a later issue. The same was received and referred to the Board of Directors.

On motion of Mr. Saussy, the secretary was directed to send a letter of thanks on behalf of the American Society of Certified Public Accountants to those members listed by him in his report as secretary as having been especially active in our membership campaign, and also to those members who had secured an increase of twenty-five per cent in the membership from their states, based upon the percentage of available material, as it was realized that in

(Continued on page 111)

REPORT OF EDWIN L. PRIDE, PRESIDENT THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS, AUGUST 31, 1925

IT hardly seems possible to me that another year has rolled by and I am about to retire as your President. It has been a pleasure to serve you. The pleasant memories in connection with the activities of the year will never be forgotten. The hearty cooperation and willingness of all to assist in every way possible is what has made the work so delightful. There have been some difficult problems to handle and it is not surprising there are a great many different points of view on various matters. Notwithstanding I have enjoyed the past year, endeavoring to my utmost to administer the affairs of our Society, so as not at this time to be criticized for my actions and feeling I am better fitted today than a year ago to serve you, having profited in knowledge and wisdom; it was a wise move from the organization of our Society to have a President serve for only one year, so that more persons might become more intimately acquainted with the detail problems of the Society.

On my first visit to Washington, after being elected to the Presidency, to go over the situation to see just where I was, it did not take Mr. Harrison, our Secretary, very long to convince me that in order to put our Society on the map and to be in a position to do constructive work, we must have our finances in better shape. To accomplish this we should have a larger membership. Our plan, therefore, was to give our undivided attention to a

Membership Campaign and Subscriptions to "The Certified Public Accountant"

While we have not accomplished all we had hoped to, it is pleasing and gratifying to report a membership of 2,039 and 1,400 subscriptions to THE CERTIFIED PUBLIC ACCOUNTANT.

The following story of the growth of The American Society of

Certified Public Accountants must impress you:

August 31, 1922— 532
August 31, 1923— 794
August 31, 1924—1,107
August 31, 1925—2,039

During the year ending August 31, 1924, the number of members increased 39 per cent, and during the last year, ending August 31, 1925, 84 per cent.

Committees

One of my first duties was the appointment of various committees. The chairman of these committees are as follows:

D. W. Springer, Chairman of the Legislative Committee.

Homer A. Dunn, Chairman of the Committee on Relations with State Societies.

A. C. Upleger, Chairman of the Committee on a Code of Ethics.

John T. Madden, Chairman of the Committee on Professional Education.

Alexander S. Banks, Chairman of the Committee on Membership.

Edward R. Burt, Chairman of the Committee on the Advertising Department of the "Certified Public Accountant."

Frank Wilbur Main, Chairman of the Committee on Publication.

Homer A. Dunn, Chairman of the Committee on Revision of the Constitution and By-Laws.

The reports from these various committees will enlighten you regarding their activities and accomplishments.

The Board of Directors of The American Society of Certified Public Accountants in their report to the general meeting of the Society in Detroit, Michigan, on September 12, 1924, recommended:

"That the annual meeting of the Society authorize the President, in case the American Institute names a committee as suggested by the report, to appoint a similar committee from the

Society and, in case the joint committee agrees upon a policy of cooperation which in its judgment and in the judgment of the Board of Directors of The American Society, is feasible, the Secretary of the Society is directed to then present the same to the members by mail for their information and consideration."

Your President and Messrs. Banks, Dunn, Goodloe, Main and Springer, the Committee of our Society, met President Niven and Messrs. Atkins, Hurdman, Masters and Nau, the Committee of the American Institute of Accountants, in New York City on March 18, 1925, as you were informed in the April issue of the "Certified Public Accountant."

Relations With The American Institute of Accountants

You are all familiar with the memorandum prepared by the Committee of the American Institute. I wish to quote only one paragraph from this memorandum:

"There is a great appeal in the suggestion that there should be one all-inclusive body and the committee has given much thought to the suggestion that there should be a consolidation of all national accounting organizations. Alluring as this suggestion may be the committee regrets that it has been compelled to reach the conclusion that such fusion is not practicable and in many ways would not be desirable. The Institute is primarily an organization of selective membership. It can not admit everyone who may happen to make application based upon qualifications not equivalent to its standards. There are, and for many years will be, large numbers of certified public accountants who are not in public practice and many of them have never even demonstrated their capacity for professional work by an examination. To admit men who are not professional accountants and have not given proof of their ability would be to render ineffective much that the Institute has done for the betterment of the profession."

Because The American Society could not abandon its basis of membership; namely, the state C. P. A. certificate, and the American Institute's Committee indicating that it would not consider limiting the membership in their organization or resulting organization to state licensed certified public ac-

countants, it was agreed amalgamation was impossible at the present time.

Their Committee further felt that to admit only C. P. A.'s to the American Institute or to any amalgamated organization would be to lower the present standards of the American Institute. **The Committee of The American Society did not subscribe to this theory.**

When the Committees adjourned, the matter of points relating to co-operation was placed in the hands of the two Presidents of the two societies. On April 16, I wrote to Mr. Niven as follows:

"As soon as your report is ready for our mutual consideration along lines of contact and cooperation, I hope you will advise me."

This matter received no further attention until a letter came from Mr. Niven on August 21, indicating his desire to have a conference with me on this subject. Due to the fact that I was away from my office for a few days, this communication did not have my attention until August 26. Notwithstanding this matter was deferred by Mr. Niven to a very late date, I did endeavor to arrange for a conference, but being called to Washington on Society matters and having further considered the advisability of this conference at so late a date, not giving me an opportunity to bring the subjects discussed by us to the attention of my committee for them to consider and be embodied in this report, I telegraphed Mr. Niven from Washington, canceling my engagement for September 1st and wrote him from Washington as follows:

Washington, D. C.,
August 31, 1925.

John B. Niven, President American Institute of Accountants, Lloyd Cottage (Green Pastures), Saunderstown, Rhode Island.

Dear Mr. Niven:

Your letter of August 27th, written from Saunderstown, Rhode Island, was duly received by me and I anticipated at the time that it would be convenient for me to meet you Tuesday morning, but last Saturday I was called to Washington.

I should have enjoyed very much conferring with you regarding the re-

port to be made to our respective conventions, but I feel, at this late date, I would not be able to get my committee together to report to them the result of our conference, and as you and I are both going out of office, I am inclined to believe the best thing to do is to turn the whole matter back to our respective conventions in hopes they will continue with the same committee and endeavor to accomplish good results in the next year.

Yours very truly.

PRESIDENT.

ELP:A.

In view of the fact that every state in the United States has a C. P. A. law and six of these states; namely, Maryland, Louisiana, Tennessee, Michigan, North Carolina and Illinois, have recently passed laws limiting the practice of public accountancy to state licensed certified public accountants and registered public accountants, and that a majority of the other 42 states are considering regulatory legislation, the time is rapidly approaching when only public accountants recognized by governmental authority will be permitted to practice anywhere in the United States. As this time approaches, the basis of membership in The American Society will become more and more important and notwithstanding the lack of progress reported by your Committee appointed to meet the Committee of the American Institute, I hope that this movement to bring about one strong, national organization of certified public accountants may continue.

Lives of great men all remind us
We can make our lives sublime,
And, departing, leave behind us
Footprints on the sands of time.

Footprints, that perhaps another,
Sailing o'er life's solemn main
A forlorn and shipwrecked brother
Seeing, shall take heart again.

Let us then be up and doing,
With a heart for any fate,
Still achieving, still pursuing
Learn to labor and to wait.

Directors' Meetings

During the year the Directors have had two meetings in Washington.

The first meeting was held December 2, 1924, followed by a

meeting called in response to a resolution of John B. Tanner of Chicago, adopted at our last annual meeting, at which meeting all members of State Boards of Accountancy and all officials of State Societies of Certified Public Accountants were invited for the purpose of discussing C. P. A. legislation, to the end that more uniformity in laws be secured and that opinions in reference to their administration might be exchanged. A full report of this meeting was contained in the January issue of THE CERTIFIED PUBLIC ACCOUNTANT. This was a very profitable meeting to us all, and will be commented on by the Chairman of the Legislative Committee.

Our second meeting was held in June, at which time the Directors went into the finances very carefully. Details with reference to their action will be found under the heading Finances. They also considered the changes in the Constitution and By-Laws which will be dealt with by Mr. Dunn, Chairman of the Committee on Relations with State Societies, and the result of the ballot will be reported by the Secretary.

I believe we have now reached that point where a very definite and specific plan of things to be undertaken during the coming year should be mapped out, and as early as possible the Directors should inform our members as to the budget of our activities and their sympathy and cooperation assured.

I suggest the following for the consideration of the incoming Directors:

1. The incorporation of THE CERTIFIED PUBLIC ACCOUNTANT.

2. Preparation of C. P. A. Examination Questions to be sent to various State Boards a month or two in advance of their examination time.

3. Appointment of a committee on standard procedure.

4. Student and technical section, or the forum.

5. Committee on Reciprocity,

6. Define duties—Directors and State Representatives.

7. Endeavor to secure a first class publicity man.

8. Committee on Federal Revenue Laws.

The following is an explanation of these suggestions:

The Incorporation of "The Certified Public Accountant."

We have up to the present time been mailing THE CERTIFIED PUBLIC ACCOUNTANT to all C. P. A.'s in the United States for whom we have addresses. Our mailing list is now approximately 10,000. Indirectly it has made us what we are. We have received our publicity through the Magazine at a minimum cost. We figure it costs us 8½ cents per copy or about \$1.00 per year.

For the year ended August 31, 1924, I find that the cost of printing the magazine was approximate \$250 per month, while this year, in the enlarged form, it has cost us approximately \$650 per month, an increased expenditure of about \$3,600 this year. Furthermore, during the prior year a saving was made by printing double numbers twice, which effected a saving of approximately \$700, whereas during the past year we have issued a number each month.

The question to be considered is, Do we want to continue indefinitely at approximately an expense of \$5,000 per year sending the magazine to those C. P. A.'s who have not signified their intention of being members or becoming subscribers?

Mr. Chappell was employed primarily to build up our subscriptions and he has been doing splendid work. My suggestion is to discontinue sending our magazine to those who have been receiving it for a year or more, but continue sending it to all who have not received it for a year, and all new C. P. A.'s for at least one year. This will enable us to obtain second class mailing privilege and be helpful in increasing our advertising, which would effect a saving of

\$1,500 a year in postage and give standing to the magazine as an advertising medium.

I hope to see THE CERTIFIED PUBLIC ACCOUNTANT incorporated and put on a paying basis.

Preparation of C. P. A. Examination Questions to Be Sent to Various State Boards a Month or Two in Advance of Their Examination Time.

We have published each month, commencing with the December issue of THE CERTIFIED PUBLIC ACCOUNTANT, the examination questions given recently by some States as follows:

December—Pennsylvania.

January—Massachusetts.

February—Wisconsin.

March—Connecticut.

April—Ohio.

May—Georgia.

June—District of Columbia.

July—Michigan.

August—North Carolina.

We feel this is appreciated by all readers of the magazine. Since many, especially those Board members who may desire to see the standard of examination set by the other States, have mentioned how helpful the American Society could be to State Boards in preparing examination questions, I feel the incoming board should give this matter careful consideration.

Appointment of a Committee on Standard Procedure

Several have called this to my attention. This committee should be open for the consideration of any accounting topic. Any person wishing an opinion on a topic should be permitted to send in questions. They should then be published in the magazine and replies or opinions thereon should be sent by various members to the committee, who would render a decision.

Student and Technical Section, or, The Forum

Nearly all of the members of our Society who are teaching have sug-

gested that there should be a section of the magazine devoted to the students' problems and technical questions and that such a department should be under the charge of a special editorial committee. I recommend that this matter receive serious attention as well as the additional question of promoting a lively interest in a forum for all accountants in which they may discuss any problem relating to the profession.

Committee on Reciprocity

The question of one State recognizing the C. P. A. certificates of another on a reciprocal basis continues to be one of the annoying questions confronting the profession. I would suggest that the Board of Directors appoint a special committee to investigate this whole question during the coming year and make a thorough report to the next annual convention.

The duties of the Legislative Committee, while embracing some features of this problem, do not give the members of the committee time or occasion to make as thorough and complete a survey of this whole question as I have in mind, especially is this true in view of the fact that greater attention is now being directed to the question of restrictive legislation which will absorb more and more of the time of the Legislative Committee.

Define Duties—Directors and State Representatives

As previously stated our membership campaign has required practically all of our attention the past year, but now with the increased membership I feel we shall be at ease regarding finances and it is hoped that our Directors and State Representatives will assume it their duty to continue the membership work, giving the Secretary more time to secure data relative to the happenings in the profession. This is not intended to criticize the present personnel because in the main they have stood ready

to perform such duties as were outlined for them. We are only arguing for a more complete exposition of the duties of these positions.

I wish that we could have the duties of the State Representatives more clearly defined so that we might use pressure on each Representative to render a report on the activities in his State at stated periods.

For instance, I think that it should be one of the duties of the Representative to write a report at least once a month, say on the 10th, regarding the situation in his State.

Furthermore the Directors who hold office by reason of election as such from the ten districts should be required to render similar reports and furthermore, that any Director or Representative who failed to make such reports for three consecutive months would be subject to being removed and the Board of Directors appoint a successor to serve until the next regular election.

The point I am endeavoring to make is that if the American Society is to maintain a Representative organization and develop a working system, it is necessary for each to have the duties and responsibilities of the various officers, and Directors and State Representatives defined, and that these duties be executed by them.

There are men in the Society who will serve efficiently. Our trouble so far has been that we lent sanction to the theory that the position of the Directors and State Representatives is that of a figure-head and which had very nominal duties.

Endeavor to Secure a First Class Publicity Man

The Society should endeavor to secure the services of a man who could devote at least one-half of his time traveling through the country, visiting the various State Societies, attending banking, trade and professional conventions, representing the Society and the Certified Public Accountant. He should be a C. P. A. able to speak

the language and appreciate the problems of the Certified Public Accountant.

I recommend the incoming Directors set up a budget for the coming year and this matter be taken care of. I, also, at this time, in referring to a budget, wish to call your attention to the two following matters:

Mr. John T. Madden, of the New York University, under date of August 8th, wrote me that he had been advised by Professor J. Anton deHaas, who is now in Europe, that there will be an International Congress of Accountancy held in Holland. He presumes that this will be held next summer, although he has written for exact data as to the dates and further particulars. Professor deHaas advises him that the English, German, French, Italian, Austrian and Swedish accountants' associations will be officially represented. The Minister of Finance will open the Congress, and the members will be the guests of the Dutch Government. More than \$20,000 has already been gotten together to defray the expenses. He has written to Professor deHaas giving him the names of the officers of our Society and of the other accounting organizations, and he presumes that in due course an invitation will be extended.

On August 10, 1925, an invitation was extended to this Society by Cecil E. Race, Secretary-Treasurer, The Dominion Association of Chartered Accountants, University of Alberta, Edmonton, Alberta, to be represented at the Twenty-third Annual Meeting of that Association.

I feel our Society should be represented at each of these meetings and the expenses provided for in the budget.

Committee on Federal Tax Legislation

Our Legislative Committee deals with Accountancy Legislation and I feel a separate committee should have this matter in charge.

The Congressional Committee

will meet in October, I believe, for the consideration of amendments and I feel we should have a committee look after our interest in relation to Federal Tax matters.

Finances

A satisfactory budget could not be prepared at the beginning of my administration. As your chief officer, I did not counsel the curtailment of any expenditures necessary to carry on the activities of the work already begun, but instead we have expanded throughout the year in accordance with our growth. This made it doubly necessary that considerable attention be directed to finances to the end that there might not be a deficit at the end of the year.

From the financial report which is being presented to you by the Treasurer, it will be noted that at the beginning of the year there was a deficit of \$5,468.58. While we had hopes of wiping out this deficit during this year with an increased membership this ambition has not been realized. However, we have reduced the deficit \$2,987.71. At the beginning of my administration I immediately recognized the cramped quarters in which The American Society was housed and arranged for the taking of larger quarters in the same building at added expense, and, therefore have added \$2,073.55 to the permanent equipment of the Society. The present equipment of the Secretaries' office should be ample for the coming year.

Mr. Chappell, who is a certified public accountant, has had charge of the bookkeeping and accounting records of the Society and we are now able to give more complete records of the finances than we were when we were handicapped by the lack of assistance.

Our Society is in a better financial position today than it was a year ago but we do feel that it would be nice if the members of our Society would see to it that this indebtedness is taken care of at this time before our Convention adjourns and start the new year

with a clean slate so as not to handicap the incoming administration in preparing their budget and giving them a greater opportunity, as I have suggested, in enabling them to incur an extra expense during the coming year for a publicity man.

I submit the following approximate income for our Budget:

Annual dues of 2,000 members at \$15.00	\$30,000.00
1,500 subscribers to the "Certified Public Accountant" at \$2.00	3,000.00
Increased membership next year of at least 1,000 at \$10.00	10,000.00
1,000 average membership dues at \$7.00	7,000.00
Increased subscriptions to the Magazine 1,000 at \$2.00	2,000.00
Advertising	5,000.00

An approximate income of 57,000.00

Conclusion

In conclusion, I wish to thank all who have assisted us in our year's activities and I desire at this time to particularly thank Mr. Harrison, our Secretary, and all of his office force for the sincere co-operation which he and they have extended to me, and I assure you all from a careful study of the existing conditions, we now have not only an efficient plant but also a well organized office equipped to do excellent work.

Recured.

"Doctor, you remember that you recommended golf to take my mind off my work."

"Yes."

"Well, can you now recommend something to get it back on my work?"—The Kablegram.

Health Notes.

To the thin: Don't eat fast.

To the fat: Don't eat. Fast—Jugler.

School Teacher: "Willie, do you know what becomes of the boys who use bad language when they're playing marbles?"

Willie: "Yes Miss. They grow up and play golf."—Clipped.

ANNUAL REPORT OF THE SECRETARY OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

August 31, 1925.

To the President, the Board of Directors and Members:

I have the honor to submit herewith my annual report for the fiscal year ended August 31, 1925.

The membership of the Society on September 1, 1925, was 1,107. During the year 963 members have been admitted, 13 have been reinstated, 11 have died, 5 have resigned and 28 have been dropped for non-payment of dues, leaving a total net membership, at the close of business on August 31, 1925, of 2,039 members.

The list of deaths is as follows:

Name.	State.	Cert. No.
Robt. B. Benedict.....	Okla.	1211
Herbert Dawson.....	Ill.	950
Wm. H. S. Jarvis.....	Mass.	1054
Clarence R. Laws.....	Mo.	1334
Frank J. McDonald.....	Tex.	1208
Paul J. Wetzler.....	D. C.	815
J. R. Mayes.....	Ky.	884
Philip B. Price.....	Mich.	889
Alonzo Richardson.....	Ga.	899
A. A. V. Thomson.....	Pa.	30
Felix Ullmann.....	N. Y.	156

Growth of the Society.

Early in this year our President, Mr. Edwin L. Pride, designated this as the Membership Year and a major portion of the time of the secretary's offices, outside of the regular routine matters, has been devoted to this project. It was realized that with a small membership the movement would be handicapped by a lack of revenue and prestige which go with a larger organization.

It has now been almost four years since I took up the duties of Secretary of this organization and it has always been a source of keenest regret that the question of financing the movement engaged such a large part of my thought and attention and prevented me from turning my energies more completely to work of a construc-

tive nature for the profession. Fortunately during the past year a number of the members have taken a greater interest in helping to increase the membership of the Society, thus lightening the burden on this office. It is appropriate that I make mention of those members who have been most successful in their efforts to secure new members and I, therefore, list the following with the number of new members they have sent in during the year:

Edwin L. Pride, 131; Charles Hecht, 30; William Dolge, 26; E. G. Shorrock, 24; Seth Hadfield, 21; Philip G. Ward, 18; William R. Main, 16; Harry B. Scott, 15; Frank G. DuBois, 13; Homer A. Dunn, 13; Parry Barnes, 10.

The foregoing are by no means all of the workers. W. W. Colledge, Charles F. Coates, H. A. Roney, Robert W. Eaton, Wm. T. Sunley, A. C. Upleger, Theo. J. Witting, J. S. M. Goodloe, Raymond C. Reik, Wm. B. Castenholz, Irville A. May are only a few of the many other members to whom special mention is due.

It is partly due to the efforts of these members of the Society that it was possible to record a net increase of 932 in membership during this year. During the same period a large number of members have been at work toward the same end and the fruits of their labors will be recorded during the next year.

I firmly believe that it will not be necessary to devote as much attention to the question of increasing the membership during the fiscal year 1926 as has been the case in the past for by a well developed plan of co-operation which is now being formulated the State Representatives should be able to carry on the work of increasing the membership in their respective States. This should give your secretary an opportunity

to work for a closer co-operation between the various forces throughout the United States to the end that there may be a united front with well defined aims and ideals for the entire certified public accountant profession.

It has been a source of keenest gratification, during the past year, to watch the increased esteem and regard in which the American Society of Certified Public Accountants is held by the certified public accountants throughout the United States. While at no time has there been a lack in this office of faith and confidence regarding the soundness and ultimate success of the aims and objects of the American Society movement, it has been possible to discern month by month a similar confidence coming into the minds of the certified public accountants. Now we are on the threshold of a sphere of large influence and usefulness and it will be possible for the Society to do more and more in the future to bring about a realization of the ambition of those pioneers of this movement, who, in 1921, saw the necessity for a large national organization composed exclusively of licensed certified public accountants.

Records on C. P. A. Certificates Issued.

During the past year this office has continued its efforts to compile the keep up-to-date accurate and authentic records regarding every C. P. A. certificates issued by any of the States or political subdivisions of the United States. This continues to be a very heavy task because we have not yet secured all of the information which we require regarding the early certificates issued by the boards but the work is progressing and our records are in a much better condition now than they were a year ago.

During the past year a large number of reciprocal certificates have been issued which fact necessitates the incorporation of this information with the record regard-

ing the original certificate issued. We are rapidly getting to the point where we can give accurate information as to the State certificates which have been recognized on a reciprocal basis by any given States. This should be helpful to any committee investigating the whole question of reciprocity between the States.

The following is a geographical list of the States showing the total number of certificates issued by the States, according to our records on August 31, 1925, a comparison of our membership on August 31, 1924, and August 31, 1925, the total number of C. P. A's now residing in each State for whom we do have addresses.

SCHEDULE OF OUR MEMBERSHIP, 1924 AND 1925

Together with Residence of C. P. A's and Certificates Issued by the States, as of August 31, 1925

State	Net Increase of Membership during 1925	Membership August 31, 1925	Membership August 31, 1924	C. P. A's Residing in State	Certificates Issued by State Board
Alabama	5	10	5	36	53
Arizona	0	5	5	9	10
Arkansas	2	9	7	24	52
California	56	99	43	395*	484
Colorado	13	24	11	99	151
Connecticut	31	40	9	94	166
Delaware	0	1	1	7	12
District of Columbia	11	67	56	147	54
Florida	5	8	3	38	32
Georgia	14	38	24	96	128
Hawaii	3	3	0	9	8
Idaho	0	2	2	20	27
Illinois	74	169	95	724	665
Indiana	16	33	17	211	656
Iowa	2	6	4	29	49
Kansas	6	8	2	23	40
Kentucky	5	16	11	39	91
Louisiana	16	39	23	141	265
Maine	6	9	3	29	61
Maryland	12	37	25	75	105
Massachusetts	135	188	53	486	484
Michigan	6	77	71	225	272
Minnesota	6	11	5	67	156
Mississippi	3	10	7	62	123
Missouri	24	30	6	140	244
Montana	4	10	6	26	45
Nebraska	2	6	4	26	35
Nevada	0	3	3	6	15
New Hampshire	3	5	2	12	368
New Jersey	29	61	32	194	273
New Mexico	1	1	0	8	6
New York	207	443	236	1,813	1,630
North Carolina	6	29	23	53	271
North Dakota	2	2	0	8	15
Ohio	47	91	44	302	414
Oklahoma	6	37	31	93	160
Oregon	8	17	9	74	108
Pennsylvania	64	149	85	378	421
Philippine Islands	2	4	2	76	76
Rhode Island	2	11	9	30	51
South Carolina	4	17	13	35	52
South Dakota	2	3	1	4	6
Tennessee	8	26	18	58	284
Texas	13	36	23	137	201
Utah	2	2	0	26	39
Vermont	1	2	1	3	10
Virginia	14	33	19	54	67
Washington	30	42	12	122	177
West Virginia	10	21	11	36	39
Wisconsin	8	37	29	84	227
Wyoming	2	3	1	16	33
Foreign	4	9	5	31	0
	932	2,039	1,107	6,930	9,411

RECAPITULATION

Of Certificates Granted, According to the records on file in the office of the American Society of Certified Public Accountants, as of August 31, 1925.

Total number issued.....	9,411
Members of the Society....	2,039
Non-members on mailing list.....	4,891

No address	471
Dead	497
Revoked, cancelled, unrenowned, etc.....	92
To eliminate reciprocal certificates and those granted to persons already certified.....	1,421

Total..... 9,411

Finances

The finances of the Society are in a healthier condition than they have been since the formation of the organization. While we show at the end of this fiscal year a deficit of \$2,480.87, this deficit is smaller than it was at the beginning of the fiscal year when it was \$5,468.58, a net decrease during the year of \$2,987.71.

The promptness with which the members have paid their dues is an encouraging sign as to the spirit of co-operation we receive from the members in the matter of supporting the movement.

While we show in our balance sheet an item of \$442.50 of unpaid dues for the fiscal year 1925, the sum is negligible when it is remembered that the member, upon admission to the Society, is billed for dues at the rate of \$1.25 per month to the end of the fiscal year and we have admitted to membership within the last ninety days 146 C. P. A's.

The fixed assets of the Society have been increased during the year in the amount of \$2,073.55.

It became necessary, in order to meet our bills promptly, for two bank loans to be made in the amount of \$4,000, the notes for which were individually endorsed by five of the officers, directors, and representatives.

There are no outstanding accounts payable as of the close of the fiscal year.

Consolidated Alphabetic File.

During the past year this office established a consolidated alphabetic name file on 3 x 5 cards in which is placed the name and address and the source from which the name comes, of every accountant's name, whether public or private practice, that comes into our possession. Already this file has in it over 25,000 names. In a few years time it will be the most complete directory of its character in existence and by following the policy which we have established of allowing the old cards to remain in

the file clipped to the new card, a chronological history will be available to show the changes of address, location of each accountant and the source of such information as it comes to us. Already this file has been of assistance to a number of certified public accountants and we trust that they will in the future make greater use of the information contained in it.

The Accountants' Directory and Who's Who.

During the past year this office collaborated with Prentice-Hall, Inc., in bringing out the second edition of The Accountants' Directory and Who's Who. This Directory incorporated all of the information which we had in our files at the time the copy went to press relative to the number of C. P. A. certificates issued by the several States, and the addresses of the holders. It is planned to get out another issue of this excellent volume next year and I feel confident it will be far more complete in every detail than this issue was.

The editor, Mrs. Rita P. Merritt, performed a very distinct service for the profession in compiling this information and getting it ready for printing and distribution by Prentice-Hall, Inc., New York City.

No other profession is in as fortunate a position as the C. P. A. profession is now relative to the information regarding all licensed practitioners and with this Directory coming out at stated intervals our profession will have a book of invaluable aid.

The Magazine.

During the past year the magazine has been enlarged. For the first nine month of the year it was published as a forty-eight page and cover book. Beginning with the first number of Volume No. 5, July, 1925, the size of the sheet was increased to 9x12, with three columns of reading matter and the number of pages consequently reduced to twenty-eight pages and cover. Twelve issues have been

published this year, which is the largest number published in any twelve months period since organization.

The number printed and distributed each month during the year follows:

August-September, 1924.....	7,500
October, 1924.....	7,500
November, 1924.....	8,000
December, 1924.....	8,000
January, 1925.....	10,000
Each issue thereafter.....	10,000

As has been the policy from the beginning, a copy of the magazine has been forwarded to every Certified Public Accountant for whom we have an address, whether or not he is a member or subscriber. The distribution of the August issue was as follows:

Members	2,039
C. P. A's not members.....	4,891
Subscribers	1,400
Public Libraries.....	260
Libraries of Schools of Commerce	300
University Instructors in Accounting.....	200
Heads of Depts. in Tax Unit....	150
Total.....	9,240

The problem of securing items of news value and happenings among the State societies and State boards throughout the United States continues to be one of first moment with the Secretary's office, however, it should be stated that with each succeeding issue of THE CERTIFIED PUBLIC ACCOUNTANT the accountants give it more and more support with respect to furnishing news items. The secretaries of the State societies, as a rule, are very prompt to send us an account of their meetings. There is still, however, much to be done in building up the news value of the magazine.

During the past year we designated a member in every city of any size in the United States as our correspondent and they were most helpful in forwarding monthly reports of happenings in their cities and States. This plan should receive more attention during the coming year and it is felt that ultimately it will solve much of the problem of obtaining news.

Mr. Main, chairman of the Committee on Publication, has been of

invaluable assistance to us during the past year. His report will go more into detail as to the policies of the Magazine.

Directories.

During the past year two issues of the Directory of Membership were published and distributed. One as of January 1, 1925, of which number we published and distributed about 3,500 copies to non-members of the Society. The other edition was printed as of June 1, 1925, and about 1,000 additional copies were printed and distributed to non-members of the Society.

This Directory, showing the membership of the Society at a given date, has been of inestimable value in building up the membership of the Society. The Directory of June 1, 1925, has been mailed to every library of a university school of commerce in the United States and to every public library in cities where certified public accountants reside.

Correspondence and Visitors.

The correspondence of the secretary's office continues to grow with the increased membership, and it has been the plan of this office to have some correspondence with every Certified Public Accountant in the United States. This ambition has not been realized this year but if the same procedure is followed during the coming year correspondence will be conducted during the year with all those whom we have not yet written to or heard from.

We keep a day to day record of all visitors who call at the secretary's office. During the year that has just closed a greater number of members and certified public accountants not members of the Society have visited us. This is a source of inspiration because these visitors bring ideas and information which can be obtained only by personal contact.

State C. P. A. Legislation.

Nineteen hundred and twenty-five being a legislative year, this

office has had considerable work to do in collecting and furnishing information to legislative committees in the several States contemplating changes in their laws. The greater part of this work has been done in conjunction with the Committee on State Legislation of which Mr. D. W. Springer in chairman, and I leave it to him to cover the activities of the Society during the past year in this field of activities.

Larger Quarters.

The growth of the Society necessitated the taking of larger quarters last January, so that headquarters of the Society were moved from the fourth floor of the Woodward Building to the seventh floor, where more space was available.

All accountants are cordially welcome to avail themselves of the facilities of this office while in the city.

Conclusion.

The year that has just past has been one of pleasant work and association. Our President, Mr. Edwin L. Pride, has given unreservedly of his time and thought to the affairs of the Society. His enthusiasm to establish contact with his office and the entire membership during his administration has been contagious and his zeal in promoting the welfare and success of the Society has added no little to the spirit of the work in the secretary's office. Though located some distance from the headquarters he has maintained daily communication with the secretary's office. A carbon copy of every letter that he has written regarding the business of the Society has been forwarded to this office and placed in the general files. At the same time, following the procedure of the secretary's office from its very beginning, a carbon copy of every letter written out of this office has been forwarded to him. During the period of his administration he has come to Washington on eleven occasions in the interest of the Society's affairs.

The great volume of work which he has done, as evidenced by the carbon copies of letters that he has written, has at times raised in the minds of those in the secretary's office the question as to whether or not the president was running a friendly race with this office to see if he could not put more copies of letters written into our files than we could.

The other officers of the Society have performed their duties well and have been ready and willing at all times to co-operate with this office in the work it has undertaken. The directors and State Representatives have shown greater interest in the welfare of the Society during the past year than during any of the former years. The majority of the State Representatives have been in touch with the members in their States and have done splendid work in building up the membership of the Society.

The clerical force in the secretary's office, during the past year, has performed all duties laid upon it in a splendid manner. It will hardly be possible to get together a group more whole-heartedly interested in the Society's welfare and progress than this group. During the last four months I have been ill and away from the office a great part of the time and they had opportunity to show their initiative and ability by carrying on the work in my absence in a most successful manner.

This report would be incomplete were I not to acknowledge with gratitude the splendid co-operation, assistance and advice received from our past presidents, Messrs. Springer, Main and Banks. Mr. Springer's super-knowledge of the details of the problems relating to the profession causes us to lay on him at times an extra burden to help with advice and counsel on difficult matters, and it can be said that he has never failed us.

Respectfully submitted.

WILBUR L. HARRISON,

Secretary.

Recent Legislation on Income Taxes in Wisconsin

By C. F. SAMMOND, C. P. A.
Milwaukee, Wis.

THE Wisconsin income tax law, as instituted in 1911 was the pioneer among workable State-imposed income tax acts, and its operation and development have always been unique and not closely paralleled elsewhere. Preceding, as it did, the first real Federal act, the influence of many of its provisions and attached practices is discernable in the Federal tax practices of the earlier years.

Radical changes in 1923 and again in 1925 have "tightened it up" to a point where it is having consideration and attention from business men, such as it never before received. In fact the term "radical" is one of the milder ones in vogue among those affected by the changes.

The chief change in volume of taxes is in the simple abolition of the "personal property offset." An explanation of this provision can best be made historically. In 1911, when the untried experiment of a State income tax was proposed as a substitute to the usual levy on personal property, there was a great deal of doubt as to the revenue producing possibilities of an income tax. To insure against an actual decline in revenues, the "personal property offset" was invented, whereby both taxes were imposed, but the income tax was paid in full or in part by personal property tax receipts. Thus the State or its subdivisions were assured of a minimum income equal to the usual property tax levy, and the only increased tax to the individual was the difference between the new and old tax, instead of the sum of the two. Proponents of the tax law say that this ingenious provision was intended to be a temporary safeguard, to be followed by repeal of the personal property tax, but such repeal never followed and agitation in that direction was unsuccessful.

In the course of years with control in a party or wing of a party that was more friendly to the rural districts than to the urban, there came a movement for the repeal of the "offset" instead of the personal property tax. The proposal was narrowly defeated in 1923, and has finally become law in 1925. The rather large tax increase resulting has been taken off the general levy, chiefly on real estate.

Practically speaking, the farmer has been paying almost no income tax, his income being low and his exemptions large, assuming that his income was reported or discoverable, which was by no means the case in practice. With his implements and tools exempt from assessment, his personal property tax has not been large. The larger income taxes are paid by urban dwellers and the larger personal property taxes by merchants and manufacturers with large inventories. The shift of the tax burden from real estate to inventories and incomes is a shift from the county to the city. It is argued that this burden will be shifted back through the products of the cities, but this is politically unimportant. What will happen to the manufacturers in interstate competition is their problem.

The effect of this repeal in tax practice is interesting. Generally speaking, the business interests are concerning themselves with State incomes taxes, as never before.

The deductibility of Wisconsin income taxes from Federal returns has always been intricate, and is of interest to many taxpayers outside of Wisconsin. The tax on 1923 incomes being payable December 31, 1924, with an offset of

the 1924 property tax, has been held to be deductible on the 1924 Federal returns. Likewise, a back assessment for any year from 1915 to date, has been held deductible in the year actually discovered and assessed, because subject to an offset when paid. Wisconsin's three surtaxes (only one of which is still in effect) were imposed on taxable income but have never been subject to offset. Consequently, they have been Federally deductible in the year in which accrued, i. e., the surtax on 1923 incomes was deductible in 1923 (although not payable until December 31, 1924) on the ground that it was a determinable liability on December 31, 1923. Fortunately, the Wisconsin law has a proviso placing the deduction of Federal income taxes on a cash basis, even for accrual-basis taxpayers, thus avoiding the two interdependent indeterminates. Another Federal rule to be considered now, arose on the "soldiers educational" surtax which was passed in 1919 but applied to both 1918 and 1919 incomes. In that case, no deduction was allowed in 1918, on the ground that no liability existed on December 31, 1918, and two taxes were deductible in 1919, one liability accruing with the passage of the law and the other on December 31, 1919.

While the effect of the repeal of the "offset" has not been passed upon by the Treasury Department, reasoning from all the above rules leads to the conclusion that there will be two State income taxes deductible in 1925 (on incomes of 1924 and of 1925) as well as the surtax on 1925, and the 1925 personal property tax. In the future, State income taxes will be deductible on Federal returns in the same year for which calculated.

It is an interesting question, as to when back taxes discovered by

field audit (at present open to 1916) will be deductible. Since they are no longer subject to the "offset" of the year in which assessed, there is no reason for holding that the liability is not determinable until then. On the other hand, until the 1925 law was passed they were not determinable in the year in which they should have been assessed, because subject to the "offset" of the year in which they would be actually assessed. Consequently, did not all back taxes become determinable with the repeal of the "offset" in 1925? The answer to this question will be important in tax work for some years to come.

The Wisconsin law permits the deduction of Wisconsin income taxes as an expense, and it has been the practice with current income and surtaxes to deduct these in the year after calculation, i. e., when assessed, regardless of the liability. This practice is, therefore, unaffected by the repeal of the "offset" but the question of the deductibility of back taxes is similar to that in Federal practice.

Until the passage of the 1925 law (and since 1923) incomes of 1915 and subsequent years were subject to assessment indefinitely. The 1925 law changed this, and until January 1, 1927, the limitation starts with 1916 incomes and thereafter there will be a straight six-year limitation. The difficulty of handling matters ten years old, and the exceedingly heavy interest charge for this period is done away with. This change was advocated by the Wisconsin Society of Certified Public Accountants through its Legislative Committee.

The most inequitable provision of the law, the interest on back taxes, remains in effect. This section, innovated in 1923, requires the imposition of 10 per cent per year on all additional taxes assessed, with no provision for interest on overpayments. This provision is resulting in 88.63 per cent interest on 1915 income taxes imposed in 1925.

Many efforts have been made to read into the law some implication allowing interest on overpayments, but the Wisconsin Tax Commission has been forced to disallow it, although sympathetic with the equity of the claim. Its opinion has been sustained by the specific refusal of the Legislature in 1925 to permit legislation to correct this injustice. This change was advocated by the Wisconsin Society, as well as the Wisconsin Manufacturer's Association and many others.

The working of the 1923 provision is illustrated as follows:

Assume that a field auditor decides that a bad debt taken by taxpayer in 1916 was not really allowable, until 1918, and that, therefore, 1916 has additional taxes due of \$10,000, and that 1918 (due to higher rates) has been overpaid by \$12,000. In equity the taxpayer should be repaid \$2,000 plus interest to date at the rate he would have been charged on additional taxes. This is what he receives instead:

1916 Additional tax.	\$10,000	
Interest 78.63%...	7,863	
		\$17,863
1918 overassessment.....		12,000
Balance to be paid.....		5,863

Thus we have the ridiculous situation of a taxpayer paying \$5,863 for the loaning of \$2,000 to the State for 8 years. This situation is not rare, as the writer has seen three such cases in the past six months.

Some cheer may be found, however, in the partial correction of some other glaring injustices, action having been taken at the instance of the Tax Commission and with the hearty endorsement of the Wisconsin Society. Until 1925, excess income taxes could be recovered in cash if paid under protest, and claimed within one year of payment, and the same, if discovered by a field auditor, could be credited only to the extent of a current assessment. If the current assessment was less than the refund, the excess was lost. Sur-

taxes overpaid were more liberally treated, claims being allowed for three years after payment. These conditions existed despite the fact that additional assessments were possible back to 1915.

Under the 1925 law, income taxes may be refunded for two years, regardless of protest, and excess payments discovered in a field audit may be carried over as a credit to one additional assessment after the current one. Surtaxes may be refunded in cash for six years.

These steps are in the right direction, but while legally the State may treat its subjects unjustly, as long as it treats them all unjustly, there is no reason why refunds should not be made as readily and for the same periods as assessments, if cheerful and loyal observance of the income tax law is desired.

The income taxable in Wisconsin on both foreign and domestic corporations, doing business within and without the State, is apportioned on a ratio in most cases, although segregated accounting may be authorized by the Tax Commission. Formerly a ratio was obtained by adding together the factors (tangible property, cost of goods and sales, within and without Wisconsin) to obtain one apportionment fraction. Now a separate ratio figure is obtained for each of the three factors and the arithmetical average of the three ratios is used as the apportionment fraction. The effect of this change while important to some individual taxpayers, is difficult to foresee for the whole field.

Other minor changes in 1925 included increases in exemptions for individuals (the amounts are still lower than those allowed Federally), the recognition of the head of a family on the basis of a married person, and the separate filing of returns by husband and wife (though the tax is figured on their aggregate income and apportioned to the two returns). There are

also changes in the method of taxing trustees, administrators, etc., whereby the beneficiaries are now taxed similarly to Federal rules, instead of the tax being imposed on the trustees as formerly.

Under the Wisconsin laws, stock dividends are taxable as though they were cash dividends, and in 1925 the practice of the Tax Commission of taxing dividends from appreciation reserves was confirmed by legislation.

The Federal practice of allowing immediate reinvestment or establishment of replacement reserves of profits arising from forced conversion of property (as in fire insurance) was adopted by the Wisconsin Legislature. This was advocated by the Wisconsin Society.

Efforts are being made to reach several recognized means of tax evasion, one law in 1923 making foreign corporations taxable like domestic corporations, where their principal business activity is con-

ducted in Wisconsin. A further provision, passed in 1925 attempts to reach the subsidiary corporation, where profits are artificially shifted to outside corporate owners, by giving the Tax Commission authority to determine a corrected income having due regard for reasonable profits which might have been attained. The success of these measures is still to be determined.

The Wisconsin Society had a hand in much of the corrective legislation enacted or offered. Its policy was to avoid participation in political controversy, such as that surrounding the "offset" repeal. It feels that much has been accomplished but that there is more to do before the law may be considered fair and equitable. In the meantime it behooves business men contemplating business in Wisconsin or in any way connected with Wisconsin, to "keep an eye" on the income tax.

you would treat the matter, giving your reasons.

4. Explain how you would treat in accounts bonus stock issued with bonds?

5. Define corpus and income and state clearly what they mean in dealing with the accounts of a decedent's estate.

6. If a corporation sells its own bonds at a premium, is the premium received a legitimate profit of the company?

7. Give an illustration of mixed accounts.

8. Define turnover.

9. Define revenue expenditures.

10. How would you distinguish between (a) earned surplus, (b) paid-in surplus, (c) capital surplus, (d) appropriated surplus?

LAW BANKRUPTCY

1. Who may take advantage of the bankruptcy act voluntarily and who may be forced into involuntary bankruptcy?

2. Mention the principal acts which constitute acts of bankruptcy?

3. Define and distinguish insolvency at common law and under the federal bankruptcy act.

4. Explain what is meant by "receiver in bankruptcy" and "trustee in bankruptcy" and state how and by whom each may be appointed.

5. A filed a petition in voluntary bankruptcy, including in his schedule the following liabilities: \$500 on promissory note; \$250 personal taxes due to the State of New York; \$500 on a claim for rent; \$1,000 for alimony due his wife; \$5,000 on a judgment for personal injuries incurred through the negligence of A's agent in operating A's automobile; \$500 on a claim for damages for obtaining certain stock by false representations made by A. All the holders of these claims were duly notified of the bankruptcy proceedings, but did not file proofs of claims. Subsequently A received a discharge in bankruptcy. Which, if any of the debts listed were discharged?

PARTNERSHIP

1. To what extent is each partner liable for the partnership debts? Can partners by agreement among themselves limit their ordinary obligations to third parties?

2. What is the liability to third party of a person who is not a partner but is held out as such? What is the liability of a silent partner to third party?

3. A and B were partners and indebted to X for \$600. A was individually indebted to X for \$400. A executed note in firm name payable to X

EXAMINATION QUESTIONS—KENTUCKY

MAY 26, 27, 28, 1925

AUDITING

1. Is an ordinary bank check drawn by the concern whose books you are auditing to the order of Receiver of Taxes and properly endorsed by him, a sufficient voucher for the payment of the taxes of this concern? Give reasons.

2. Prepare a consolidated balance sheet for a holding company and two subsidiary companies in which the entire stock of one company has been acquired below par and the entire stock of the other company at a premium. How would you handle such premium and discount in your balance sheet?

3. A Corporation has established a sinking fund for the retirement of a mortgage. An investment has been made in bonds the present market value of which is below cost. Would you inventory them at market value or at book value? Why?

4. State some fraudulent methods you have discovered in an audit and indicate changes you would advise to prevent repetition.

5. During the course of your audits, what methods have been revealed by which manufacturing concerns attempted to inflate profits?

6. How would you disclose on the balance sheet of a contractor a building

which was sixty per cent complete but no part of which had been accepted?

7. A manufacturing corporation issued bonds and transferred them to a contractor who erected a plant at 90 but charged same on the building account at 100. Explain in full whether or not this is right.

8. Explain in detail how you would proceed to audit the accounts of a bank.

9. Explain what matters should be certified and verified in auditing the revenue and expense accounts of taxicab companies.

10. By what methods can a bookkeeper cover up forced footings during the course of an audit so that ordinarily you would not detect them unless certain precautions are taken. Explain what these precautions should be?

THEORY OF ACCOUNTS

1. What is a funded reserve?

2. When a Company undertakes its own construction work, on what basis is it permissible for it to make charges to Property Account in respect thereof?

3. A Corporation had its fixed assets valued by an expert, and the appraisal disclosed a valuation in excess of the book value. The excess in value was credited to Surplus. If you see any objection to this procedure, state how

for \$1,000 in payment of these two debts. Can X enforce this note against the firm of A and B? Why?

4. What is a limited partnership? Can such partnership be formed under Kentucky Statutes for purposes of banking? Of brokerage? Of insurance?

5. Is an agreement to share both the profits and losses of a business prima facie evidence of a partnership? As a matter of law, does an agreement to share profits and losses create a partnership?

6. What is a silent partner? A nominal partner? A liquidating partner?

7. Who may become partners? Can an infant become a partner? If so, why? If not, why not?

8. A and B are partners in dry goods business. A, without consent or knowledge of B, signs the firm name as surety on a note to C given for purchase of a truck. Is the firm liable on the said note? Why?

9. What is the real test of a partnership? Can persons become partners without their knowing it?

10. How can a partner, under Kentucky law, limit his liability in a partnership? What precautions or actions must be taken?

CONTRACTS

1. Name the different kinds of contracts.

2. What is the "Statute of Frauds?"

3. What effect upon a contract has a mistake of fact upon the part of both parties in regard to the subject matter of the contract?

4. A employs you as an accountant for a period of one year. At the end of two months A dies, and his administrator advises you that he no longer requires your services. Have you any redress? Why?

5. What are the provisions of the "Statute of Limitations" in Kentucky?

6. Can a contract under seal be impeached for want of consideration?

7. If A, for a nominal consideration, agrees to convey valuable property to B, can the latter recover in an action for breach of contract?

8. A sells land to B. In order to induce B to purchase, A told him that he had paid \$2,500 for the land to C, from whom he (A) bought it. B thereupon pays \$2,500 for the land. As a matter of fact A had only paid \$1,000 and the property was not worth more than that amount. What are B's rights?

9. Does contract for the sale of real estate differ in any way from a contract for the sale of personal property?

10. Give five causes, any one of which may defeat a contract, even though the parties at the time of entering into the contract consented to it.

CORPORATIONS

1. Under Kentucky Statutes, how many persons are required to establish a corporation? Does purchase by one stockholder of all stock of a corporation destroy its existence? (Yes or No.) Can directors of a corporation be held liable for existing debts of corporation if they declare and pay dividends which diminish amount of the capital stock? (Yes or No.)

2. Where corporation has neglected to appoint an authorized agent upon whom process may be served, can said corporation recover on contract made? (Yes or No.) Can corporation recover on contract, made after resignation, or death of agent and before filing of statement designating another agent? (Yes or No.)

3. Name the different ways by which a corporation may terminate its existence.

4. Who elects the directors of a corporation? Who elects the officers? When name of a corporation is legally changed, does real estate and personal property vest in the new corporation without any other transfer of title? Under the Kentucky Statutes, how much capital stock must be subscribed for in good faith before the corporation can transact any business other than with its stockholders?

5. What is the difference between a de facto and a de jure corporation? Between a private and public corporation?

6. Can a corporation be guilty of slander? Of libel? Of Torts? Of fraud?

7. A, B and C form a corporation and subscribe for the total capital stock. They wish to prevent sale of any stock to an outsider in the event of a withdrawal or death of either one of the three. Can this be accomplished in a legal way, and if so, how?

8. What are the rights of a stockholder of a corporation to the inspection of the corporation books?

9. What is meant by the additional subscription to capital stock? Is such subscription legal in Kentucky?

10. Under Kentucky Statutes in what instance may a corporation purchase its own stock? How long can such stock be held by the corporation?

AGENCY

1. Will the fraud of an agent bind principal?

2. What is an agency? How created, and name three ways of terminating.

3. Can an agent, without consent of his principal, delegate his power or a portion thereof to sub-agents, who are to exercise it for, and under his, in his principal's behalf. (Answer Yes or No and give exceptions, if there are any.)

4. What are three methods of establishing an agency?

5. Has a principal a cause for action against his agent for any damages that may result from either misfeasance or non-feasance? Are there any exceptions?

6. A gives B \$1,000 to purchase a lot but instructs him to buy as cheaply as possible, B to retain \$25 for his services. B buys a lot for \$900 from S, upon an agreement that if he sold the lot for more than \$900 he would divide the profits with S. The lot was delivered to A, B representing that he had saved nothing for himself. B then paid S \$50 as his profit. Can A recover from B? Why?

7. In order to protect himself from personal liability, what precaution should an agent take.

8. What is the general rule as to the principal's right to revoke his agent's authority? Name two exceptions.

9. A knows that B, without his authority, is collecting money on his accounts but takes no measures to prevent him from doing so. B later, instead of paying over money collected, absconds. Can A collect from debtors who have already settled with B? Give reasons for your answer.

10. A corporation authorizes its President to use a promissory note in payment of Insurance. The President signed the note "John Smith, President of the B Lumber Co." Upon payment of said note the corporation was thrown into bankruptcy and the Insurance Company sues John Smith, personally, on same. Can they recover from him? Give reasons for answers.

PRACTICAL

1. The trial balance of the Kentucky Lumber Company, on January 1, 1924, was as follows:

Cash	\$2,618.03	
Accounts Receivable...	21,111.17	
Inventory	36,133.32	
Unexpired Insurance ...	559.44	
Plant and Equipment..	352,109.75	
Timber and Lands	551,539.31	
Preferred Claims		537,011.99
First Mortgage Bonds, 6%...		212,500.00
Bond Interest accrued—6 months		6,375.00
Unsecured Creditors ...		64,471.64
Capital Stock..		400,000.00
Surplus		243,712.39
		<hr/>
		964,071.02 964,071.02

The company, being unable to meet its current obligations, the Union Banking Company was appointed receiver on January 1, 1924.

(Continued on page 107)

Some Minor Suggestions as to Audit Working Papers

WITH the advent of the dog days and the lack of full employment of the time of the Public Accountant attendant upon the recurrence of the regrettable, dull season in the profession—that period of inaction resulting from the present fondness of corporations for almost unanimously adopting the calendar year as their fiscal year—the thoughts of the accountant naturally turn to suggestions for the improvement of himself and others just as in the spring a young man's fancy lightly turns to thoughts of love, as the poet tells us is the case; and it has occurred to me that a few observations on certain points of procedure in the preparation of audit working papers and other matters might perhaps be of interest at this time to some of the assistants on the staffs of public accounting firms. The points dealt with in this brief thesis may perhaps be considered by some as "trifles light as air," but on the other hand we have been told with truth that "trifles make the sum of life"; and, as genius is the art of taking infinite pains, just so it may be useful to take pains with some of the matters which I shall briefly dwell upon under their respective headings.

Columnar Statements

The importance of taking the fullest possible advantage of the columnar form in preparing schedules, summaries and statistical data is a point which is often lost sight of by the inexperienced assistant. Generally speaking the adoption of the columnar form has these advantages:

- (1) It saves duplication in writing out a number of times a description or caption;
- (2) It enables the ready totaling of amounts by description or cap-

F. L. WOOD, C. P. A. (Ill. and Minn.)
Chicago, Illinois.

tion, the footings of the columns answering this purpose;

(3) It enables a cross cast of each line, which, although not always necessary, is often desirable;

(4) It enables a verification of the footings against the cross casts and thus often discloses clerical errors in the figures which would otherwise escape detection;

(5) It produces a compact, easily understood statement when intelligently prepared.

Trial Balance and Supporting Schedules

In preparing the schedules for that most common form of audit, the Balance Sheet audit, it is important in all cases that the schedules should clearly reflect, in the first place, just what the books show. This is a point which some assistants lose sight of although it is often vital that there should be in the working papers a clear demarcation between (a) what the books actually do show, and (b) what they should have shown if ideal conditions had prevailed. This point may be stressed more particularly where the assistant preparing the schedules is one whose experience has been of a somewhat limited character. While his working papers are, of course, subject to review by a principal, the latter may perhaps never have seen the client's books which are under examination. In such a case it considerably facilitates an intelligent review if the assistant's working papers show in successive stages—

- (1) The book figures when his examination began;
- (2) The supplementary book entries made by the client's staff;

(3) The book figures resulting thereafter;

(4) The adjusting journal entries drafted and given effect to by the assistant; and

(5) The final aspect of the book accounts after adjustment.

It is, of course, far from my purpose to suggest that an assistant should undertake unnecessary work. It is often feasible to defer preparing a schedule of the private or general ledger trial balance until all supplementary entries drafted by the client's staff have been duly reflected on the books. In such cases the assistant's schedules would begin at stage three referred to above. On the other hand it is often advantageous to go through all five stages when working on an audit where promptness in submitting the audited figures is essential and where the audit commences and continues during the time that the client's accounting staff is in the throes of closing the books.

An illustration comes to my mind of a case where a client's bookkeeper (a lady, by the way) had the bad habit of making many entries direct to Surplus Account instead of to the appropriate Profit and Loss sub-accounts, and also had the further bad habit of closing out into Surplus each sub-account of revenue and expense instead of doing as she should have done, viz., first collecting these results in a Profit and Loss Account and then transferring the balance of the latter to Surplus. In this particular instance the working papers of the assistant who carried out the audit did not reflect the exact book conditions, neither was the inadvisability of the procedure followed by the bookkeeper pointed out by him; and it was only by good fortune that the writer, who reviewed the audit, subsequently

found out the true conditions and was thus enabled to take measures to improve them.

In some cases, e. g., where a first audit is being undertaken and the nature of some of the book accounts is not clear, it is necessary to show on the private or general ledger trial balance schedule all of the book balances in detail. In a case of this kind it will often be found advantageous to use a 20-column analysis sheet and to show in the columns appearing on the right-hand part of the sheet the segregation of the final book balances as between the various balance sheet classifications. This procedure will obviate the preparation, in such a case, of summary schedules as a means of collecting the adjusted book balances for incorporation in the Balance Sheet.

In other cases, although it is desirable to adhere strictly to the nomenclature of the book accounts in preparing schedules thereof, it is often of great advantage to prepare the private or general ledger trial balance schedule in condensed form, with supporting summary schedules, such summaries showing the composition, by account balances, of each item appearing on the condensed trial balance schedule, such as Property and Plant, Inventories, Cash, etc. If this procedure be adopted the summary schedules will naturally re-

quire the following amount columns:

- (1) Book figures;
- (2) Audit adjustments; and
- (3) Adjusted figures;

and may possibly also require a further column to reflect supplementary entries if the book figures are revised by the client's staff during the audit. By adopting the condensed form of trial balance schedule, supported by summaries, much duplication of account names and figures can be dispensed with.

In regard to the form of the Property and Plant Summary Schedule, the balances at the beginning as well as at the end of the period under review and the total changes during the period in each property account should be shown on the summary, utilizing appropriate columns for that purpose. Sub-schedules showing details of the period's changes in each account may then be prepared without troubling to show the commencing and ending balances thereon for each account as these will appear on the summary schedule.

Similarly the summary of cash, consisting perhaps of a number of bank balances in addition to cash on hand, may be so designed as to give a summary of the bank reconciliations, and the following form is suggested in this connection:

		Differences.			
	Balance per Bank Certificate	Outstanding Cheques (deduct)	Deposits in Transit (add)	Miscellaneous	Balance per Books
Bank Accounts:					
1st National....					
2nd National....					
Commercial					
Security					
<hr/>					
<hr/>					
Cash on Hand:					
Petty Cash.....					
Other Funds—					
Total per Condensed Trial Balance Schedule.....					\$

Sub-schedules may then be prepared supporting the differences shown on the summary and showing the details of the cash counts.

If the assistant finds that the

client's accounting staff have closed out the Profit and Loss Accounts, and have prepared trial balances both before and after closing, it is generally a waste of time

to prepare schedules of both of these trial balances. It is usually sufficient, in such cases, to make up a schedule of the trial balance after closing (in condensed form, if feasible, as already referred to); but a schedule of Profit and Loss by sub-accounts will, of course, be required with columns thereon for (a) the book figures, (b) audit adjustments and (c) the adjusted figures. In such instances it is useful to split the Surplus balance for the trial balance schedule as between some or all of the following factors:

- (1) Balance at beginning of period under review;
- (2) Entries affecting the opening balance;
- (3) Net Profit or Loss for the period;
- (4) Dividends declared during the period; and
- (5) Special charges or credits to current Surplus.

The Net Profit or Loss appearing on the Profit and Loss schedule should, of course, agree with (3) on the trial balance schedule referred to above.

Schedule Headings

A further point which assistants would do well to remember is the importance of insuring that the heading of every schedule correctly describes in terse, descriptive language the general nature of the matter contained on that schedule. This is especially desirable in investigations, defalcations and special matters where the schedule may perhaps be produced as evidence in court. Many a valuable, and in other respects well and thoughtfully prepared schedule, loses some of its value and may indeed meet the fate of being disregarded altogether simply because its meaning and purpose are not clearly indicated in the heading adopted.

Adjusting Journal Entries

Just a word or two regarding the preparation of adjusting journal

entries. There are probably few audits which do not result in the disclosure of the necessity for adjustments of the book figures. In drafting such entries the assistant should remember that although "brevity is the soul of wit" it is possible to fall into the error of giving too little description and detail in the body of such adjustments. In fact it is a rather common occurrence for a client's accounting staff to complain that they do not understand some of the journal entries submitted to them to be taken up on the books. Obscurity in the wording or the omission of any explanation are to be greatly deplored and may cause trouble later on when the matter has become cold and is thought to have passed into the limbo of forgotten things. Care should be taken also to adhere strictly to the nomenclature of the books in stating the particular accounts to be debited or credited. The lack of care in this direction will certainly lead to trouble. The adjusting journal entries resulting from an audit or examination may be considered, in many cases, to represent in tabloid form the results arising from that audit or examination; and the importance of exercising care in their preparation can not be overestimated.

As a minor point in connection with adjusting journal entries relating to bad and doubtful debts found on the books at the close of a period under audit it may be remarked that it is generally desirable to write off altogether the balances admitted to be bad, and to reserve against the doubtful debts only. In the absence of special reasons of policy to the contrary the practice of reserving against admittedly bad accounts and of permitting them to remain on the general books may be criticized as undesirable. In order that such bad accounts may not be entirely lost sight of, however, a record of them should be kept in a memorandum ledger.

Proof-Reading, Ruling and Indentation of Statements

It is the aim of every high-class firm of public accountants to possess, as a part of its organization, a first-class and well-trained department represented by stenographers and typists. A client judges his auditors and the quality of their work very largely by the degree of excellence or mediocrity exhibited in the typewritten reports, accounts and statements submitted to him. The assistant can aid his seniors very largely in this direction by doing good conscientious work when calling over, and verifying the footings and cross casts of, the reports and statements. Clerical and grammatical errors are apt to find their way into the report; and, if they are undetected, a report, otherwise good, is very likely to be reduced in value. Therefore, when calling over the office copy of a typewritten statement or report against the rough draft, it is important for the assistant or proof reader to call attention distinctly in the margin of the office copy to any errors found. The best and shortest way to do this, in the case of a misspelled word or a misstated amount or number, is probably to write out correctly in the margin the word, amount or number which has been misspelled or misstated, and to underscore the letter or figure which has been incorrectly typed. The correction to be made will in this way be evident both to the stenographic department and to the senior who finally reviews the corrected statement or report and satisfies himself that all copies of the set have been duly corrected.

The proper ruling of every statement turned out by the stenographic department is another apparently minor point that is nevertheless of considerable importance. A line left out or improperly inserted often has the effect of making a statement more difficult to understand and may indeed, in some cases, give an altogether wrong impression.

The importance of correct indentation or alignment, where a statement is indented, is another point which an assistant should not overlook. A ragged or erroneous indentation often spoils a typewritten or written statement.

In conclusion, although the foregoing minor points may perhaps have been already called attention to in some of the standard works on audit working papers and procedures, they may have been generally overlooked or forgotten because included therein with other matters of major importance. Therefore it may not have been amiss to set these minor points forth by themselves in this article in order that they may thus be impressed on the minds of beginners or those who are feeling their way along in the profession.

Examination Questions

(Continued from page 104)

The transactions under the receivership for the year following are hereby summarized:

Purchased Logs.....	\$9,646.22
(Half was bought for cash, less cash discounts, and the balance on credit.)	
Operating Expenses.....	202,972.81
Commissions.....	4,214.14
Demurrage.....	326.00
Freight Inward.....	585.53
General Expense.....	4,837.40
Salaries.....	12,000.00
Shipping Expense.....	13,574.10
Taxes—All paid in cash...	1,421.00

Allowance for stumpage cut amounting to \$50,000 was credited to Lumber Account. Interest on bonds to December 31, 1924, was paid in full, and the outstanding bonds were reduced to \$200,000, December 31, 1924, by paying off \$12,500 at 101. Sales amounted to \$450,000 gross, of which \$300,000 was received in cash as net payment by customers.

Freight allowance to customers.....	\$70,510.00
Discounts allowed.....	556.33
Discounts received.....	500.00
Profit from Commissary...	5,000.00
Sundry Income.....	3,500.00

The accounts receivable of January 1, 1924, realized \$20,000 net. Preferred claims were paid in full. Depreciation of \$3,500 was allowed on plant and equipment. Unexpired insurance on December 31, 1924, amounted to \$125. Inventories were \$40,000.

Prepare Realization and Liquidation account, Cash Account, and Balance

Sheet, December 31, 1924, also the receiver's Profit and Loss Account, proving the gain shown by the Realization and Liquidation Account and showing all the elements making up the net amount.

2. From the following statement of facts set up the trial balance and asset and liability statement of the State Bank of Kentucky, December 31, 1924, after closing, and prepare therefrom a condensed statement of condition as of the same date:

Due from banks, \$74,975; time certificates of deposit, \$10,000; cashier's checks, \$496,349.75; rediscounts, \$400,000; customers loans, \$500,000; bills purchased, \$550,000; exchanges for clearing house, \$320,000; due to banks, \$834,000; certified checks, \$12,500; cash, \$956,750; demand certificates of deposit, \$2,500; transit department, \$100,000; on deposit with Federal Reserve Bank, New York, \$48,500; demand loans, \$125,000; time loans, \$80,000; bonds and mortgages owned, \$100,000; coupon deposits, \$3,750; on deposit with the National City Bank, \$53,062.50; depositors, \$765,910; banking houses, \$200,000; furniture and fixtures, \$25,000; capital stock issued and outstanding, \$500,000; securities owned, \$98,812.50; surplus, \$201,090.25; accrued interest receivable, \$1,075; interest purchased, \$125; unearned discount, \$5,200.

3. John Smith expends \$100,000 in the erection of a business block; at the end of the year he finds that the rents of the stores in the block have amounted to \$7,500 and of the offices, \$3,750. The expenses of the year have been, janitor and caretaker, \$750; repairs and alterations to suit tenants, \$500; water and gas, \$400; taxes, .01975 on a valuation of \$87,000; various incidentals, \$150. Make up a statement showing the result of the year's enterprise and per cent of profit on investment, after charging five per cent interest on the capital invested and \$2,500 for depreciation.

4. X and Y, partners in a business, share profits and losses equally. At the end of five years the partnership terminates by limitation and the balance sheet shows the following:

Liabilities.

Creditors	\$30,000
Bills Payable.....	10,000
Capital:	
X	\$30,000
Y	15,000
	<hr/>
	45,000
	<hr/>
	85,000

Assets.

Plant and machinery.....	15,400
Inventory	36,000
Accounts receivable	28,000
Cash in bank.....	5,600
	<hr/>
	85,000

Subsequently the business as it stands (excepting cash in bank) is sold for \$30,000. Make final adjustments and closing entries, and show the amount each partner receives.

ANNOUNCEMENTS

Julius V. Weiss, C. P. A., announces the opening of an office for the practice of accounting under the firm name of Julius V. Weiss & Co., Certified Public Accountants, 10 South La Salle Street, Chicago, Ill.

Charles Wesley Burton, Jr., C. P. A., is now associated with C. W. Amos & Company, Certified Public Accountants, Munsey Building, Baltimore, Md.

W. B. Sanders, C. P. A., announces the removal of his offices to 515 West Union Street, Bethlehem, Pa.

Ernst & Ernst announce that Mr. W. E. Brunck has been appointed manager of their St. Louis office and that Mr. L. L. Schumacher has been appointed assistant manager.

The Wm. A. Wood Company, announces the opening of offices in the Standard Life Building, Pittsburgh, Pa.

Philip S. Kantor, C. P. A., announces the removal of his offices to 974 New York Avenue, Brooklyn, N. Y.

Knapp & Knapp, Public Accountants, announce the opening of an office at Zanesville, Ohio, in the Home Muskingum Bank Building. Charles H. Knapp, C. P. A., will have charge of this office. Jesse Knapp, C. P. A., will remain in charge of the Portsmouth, Ohio, office.

Richard M. Crane, Ernest D. Bowman and Charles S. Concklin, of the firm of Crane and Bowman, Certified Public Accountants, announce the opening of an office at

808 Harris Trust Building, Chicago, Ill., for the practice of public accountancy. Offices are also maintained in Denver, Colo., Oklahoma City, Okla., and Wichita, Kans.

Goodno & Steele, Certified Public Accountants, Raleigh, N. C., announce the admission to partnership of Oscar F. Goddard, C. P. A. The practice of all branches of public accounting will be continued under the firm name of Goodno, Steele & Goodard, with offices at 302-303 Tucker Building, Raleigh, N. C., and 801-802 National Bank Building, Fayetteville, N. C.

J. B. Rodgers, C. P. A., G. S. Harrill and Horace G. Brubaker, C. P. A., of the firm of Rodgers-Harrill Company, announce the removal of their offices to suite 601-2 Commercial National Bank Building, Charlotte, N. C.

Ervin W. Leeder, C. P. A., Clay F. Plummer, Ralph B. Riddell and Wilder G. Tiffany, C. P. A., announce the consolidation of their practices under the firm name of Leeder, Plummer, Riddell and Tiffany, with offices located at 621-623 Elliott Square, Buffalo, N. Y., effective September 12, 1925.

Turner & Richards announce the opening of an office at 124 West Federal Street, Youngstown, Ohio, with John H. Turner as Managing Partner. The Cleveland office is at 323 Schofield Building.

Roger M. Barbour, C. P. A., is now located at 1261 Wrigley Building, Chicago, Ill.

John P. Richmond, C. P. A., is now located at 1916, 231 South La Salle Street, Chicago, Ill.

A. F. Winter, C. P. A., formerly of Savannah, Ga., is now located at 238 Metropolitan Building, Miami, Fla.

Noah Bass, C. P. A., is now located at 1440 Broadway, New York City.

Raymond G. Ransom, C. P. A., announces the removal of his office to 302 York Rite Temple, Wichita, Kans.

Abraham Schaffman, C. P. A., is now located at 54 Church Street, Hartford, Conn.

Joseph F. Gauger, C. P. A., and Orval W. Diehl, C. P. A., announce the formation of the partnership of Gauger and Diehl, Certified Public Accountants, for the general practice of accountancy with offices at 302 Standard Life Building, Decatur, Ill.

Maurice Stolper, C. P. A., announces the removal of his offices to 983 Main Street, Hartford, Conn.

Stewart A. Steen, C. P. A., announces the removal of his offices to the Haddington Building, Norfolk, Va.

M. C. Fox, C. P. A., announces the removal of his offices to 301-3 Franklin Building, Oklahoma City, Okla.

M. M. Hamma, C. P. A., announces the admission to partnership of Harry W. Nelson, C. P. A., and Walter E. Hugins, C. P. A. The practice will be conducted under the name and style of Hamma, Nelson and Hugins, Certified Public Accountants, 1025 First National Bank Building, Denver, Colo.

Evans, Marshall & Pease, Certified Public Accountants, 29 South La Salle Street, Chicago, Ill., announce that Herman W. Meyn, C. P. A., and Joseph C. Van Schaick have been admitted as partners of the firm.

Philip H. Anderseck, announces the removal of his office to 165 Broadway, Beneson Building, New York City.

Woolf W. Lambert, C. P. A., announces that he has removed his offices to suite 1624, 1133 Broadway, New York City.

Seeger, Rivers & Pixton, 504-8 Hurt Building, Atlanta, Ga., announce the opening of an office at 10 Weedon Building, Tampa, Fla., with Charles F. Seeger in charge.

Jos. H. Mueller, C. P. A., and Val. Pearson, C. P. A., announce the

formation of a partnership for the general practice of accounting under the firm name of Mueller & Pearson, Certified Public Accountants, with offices at Suite 1028 First National Bank Building, Chicago, Ill.

B. E. Hunsinger, formerly head of the Staff Division, Income Tax Unit, Bureau of Internal Revenue, announces that he has entered Federal tax practice and will be associated with John T. Kennedy, tax counsel, of the firm of Owen and Beller, Attorneys at Law, Transportation Building, Washington, D. C.

ADDRESS OF WELCOME

Delivered by Honorable E. Lee Trinkle, Governor of Virginia, Richmond Convention, September 10, 1925

Mr. President, Ladies and Gentlemen: I find that accountants are sometimes behind time just like trains and Governors and we are starting off this morning about a half hour late, which relieves you of any fear of a long speech from me.

Of course my mission in delivering what is said to be the address of welcome on the part of the State of Virginia is purely a formal and perfunctory one because we should hate to think in Richmond and in Virginia that it was necessary to undertake to express to you in words our very great delight in having you with us, both in the State and in the Capital City of the State.

I want to congratulate you gentlemen on one thing and that is that you had more judgment in picking your profession in life than I did. I am a lawyer. I belong to a profession that I am sorry to say seems to find less use for itself in the present day than it did in the days that are gone. You have selected a life's work that seems to be on the increase and the mission that you would perform seems to be growing each day and, as I say, you are to be congratulated upon that.

It is rather funny how things come about in this world anyhow. I remember when I was in the Senate of Virginia I was very insistent that our State Accountant ought to be required to investigate all of our financial offices throughout the commonwealth at least once every two years, or oftener if possible, and I recall distinctly that that proposition was very bitterly and very strenuously fought by the treasurers of the counties in the state, the men who handle most of our funds. Now I find, since that has become a law, and since the State Accountant is functioning under that law, it is just impossible for us to find the means to meet the demands promptly of these same officials who two years ago fought this law in order that they may have their respective offices investigated and their accounts squared up, so that they may rest safe and secure in the thought that everything that falls under their supervision is right and in order.

In Virginia we are trying to make our laws as strict as we can, with reasonable justice, in permitting a man to become a certified accountant. I sometimes think that I must be a man who has a

wonderful talent for picking hard-hearted men for examining boards because if I recall correctly, at the last examination held there were about forty-five applicants and but five or six got through, so it shows you it is somewhat difficult in this state for a man to use the title you gentlemen are able to use.

Gentlemen, I don't know of anything I can say to you that would be of any peculiar interest except to reiterate what has been said by your President, that people are beginning to realize that it is a necessity that both public officials and men who are occupying private positions of trust and confidence, who handle the people's money or the money of other individuals, should be checked up every now and then, not so much with the thought that any great percentage of men who are charged with these duties are inherently dishonest or mean to do anything that is wrong or corrupt, but it is necessary as a matter of precaution to save them as well as to save the people who employ them.

I know that you are gathered here for serious purposes. I notice from the program that many distinguished members of your organization have set addresses which I know are going to be full of interest. They are going to be helpful and they are going to be instructive, so it would be very inopportune and very much out of place for me, untrained in the line of work in which you are engaged, to occupy your time.

I do hope that this meeting will be full of pleasure; I hope it will be full of helpfulness too. I am a great believer in organization. I am a great believer in men of talent being willing to meet every now and then and pass on to the other fellow some of the things that they have learned as the result of their experiences, some of the things they have discovered as the result of their original investigations, so that a good work can be extended in its usefulness, so that it can be perfected, so that it can be made worth while.

This attitude among business men is very different from what it used to be. There was a time when a merchant on one side of the street, if he did not have an article which a customer desired, when asked where it might be obtained, would become absolutely absent-minded to the fact that his neighbor across the street had the article in stock, because he felt in so doing he would be helping his neighbor along. That spirit among business men has changed, and particularly among professional men who are always ready to help each other.

It is a very great privilege and a pleasure for me to come up here for

a few moments to express to you, as far as I can, through my presence and feeble words, the fact that we are very glad to have you meet in the Commonwealth of Virginia. Richmond has become a popular center for conventions. Week in and week out we have them. We are very glad to have anybody come to Virginia who comes for the purpose of doing good and I am sure that is your mission. I trust your meetings are going to be well attended, that you are going to enjoy yourselves and that you will not have any occasion to regret that you held this particular meeting in the City of Richmond in the State of Virginia.

STATE SOCIETY NEWS

Georgia

The regular meeting of the Georgia Society of Certified Public Accountants was held on Saturday afternoon, September 26, 1925, at 12.30 p. m., in the dining room of the Kimball House, Atlanta, Ga.

Louisiana

At the annual meeting of the Society of Louisiana Certified Public Accountants on August 13, 1925, the following were elected to the Executive Board: Emile Bienvenu, Gordon M. Hill and Chas. L. Seemann. The officers of the Society are: President, Henry J. Miller; Vice President, Curtis F. Scott; Treasurer, Lanaux Rareshide; George A. Treadwell, Secretary.

Chairmen of committees were appointed as follows: Membership Committee, Archie M. Smith; Publicity Committee, Geo. A. Treadwell; Luncheon Club, Lanaux Rareshide; Cost Council, Emile Bienvenu; Tax Council, Gordon Hill; State Board Relations, Chas. L. Seemann; Legislative Committee, Curtis F. Scott.

Maine

The Maine Society of Certified Public Accountants held its first meeting of the current year on

Wednesday evening, September 23, at 7.30 p. m., at the Portland University. The meeting was devoted mainly to making plans for future meetings.

Mr. Elbert D. Hayford, State Auditor, addressed the members.

Massachusetts

The Massachusetts Society of Certified Public Accountants, Inc., met on Monday, September 28, 1925, at 7.00 p. m., in the New Chamber of Commerce Building, Boston.

During the evening there was a discussion on certain features of the Massachusetts law relative to the taxation of foreign and domestic business corporations.

South Carolina

The South Carolina Association of Certified Public Accountants will meet on October 20 and 21, 1925, at the Masonic Temple, Columbia, S. C.

The meeting will convene at four o'clock on the afternoon of the 20th, at which time a discussion is planned on the present C. P. A. Law of South Carolina. A paper on this subject by L. L. Wilkerson, C. P. A., Secretary of the South

Carolina State Board of Public Accountancy, is also scheduled for this time.

An interesting program is being arranged for the remainder of the session. There will be a number of speakers, among whom will be Hon. Thomas G. McLeod, Governor of South Carolina.

Washington

The Washington Society of Cer-

tified Public Accountants held its annual meeting at the Arctic Club, Seattle, Wash., on August 29, 1925. Officers elected for the coming year are as follows: President, Charles S. Cowan; Vice President, Pearce C. Davis; Secretary-Treasurer, Andrew G. Elder; Auditor, Louis E. Smith. Charles S. Cowan, C. P. A., and Arne S. Hansen, C. P. A., were elected directors to succeed themselves.

(Continued on page 115)

FOURTH ANNUAL CONVENTION

(Continued from page 92)

many cases relatively greater work had been done in some of the smaller states.

The report of the Committee on Professional Education which had been prepared by John T. Madden, of New York, chairman, who was unable to be present, was presented by Paul W. Pinkerton, of Chicago, a member of the committee. The report will appear in a later issue. On motion of Mr. Kortjohn of New York, the report was received with the thanks of the Society and the one recommendation as to associate membership of students was referred to the Board of Directors. It was further ordered that a special letter of thanks be directed to Mr. Madden for the work that he had done for the Society for the past year.

President Pride, in presenting the next speaker, said:

"We have with us today a man whom I know you will all be pleased to hear.

"The speaker in question is a certified public accountant of Virginia, was formerly a member of the State Board of Accountancy in Virginia, and is a member of the American Society of Certified Public Accountants. On account of his good business judgment in knowing how to handle cash and how to size up

men as to whether they are honest or not, he has been honored by being



W. J. L. PATTON, C. P. A.

Winner of the Durand W. Springer Golf Cup, 1925

elected as the Deputy Governor of the Federal Reserve Bank of the Fifth District and he is going to address us this afternoon on the subject, 'Some Accomplishments of the Federal Reserve System.' I am pleased to introduce to

you at this time Mr. Charles A. Peple, of Richmond."

Mr. Peple's address will appear in a later issue.

Mr. Dunn presented the report of the Committee on Relations with State Societies. The report will appear in a later issue. On motion of Mr. Hecht, of New York, the report was received and referred to the Board of Directors. Mr. Hecht said:

"I have another thought in my mind and that is that the Board may in its judgment desire to have this report in some form submitted to the members for their consideration. It is a most valuable contribution, one representing a great deal of deep thinking, and

I am quite sure that those members who have not had the opportunity of listening to it, as we have had, would be just as much interested in it as we are. It is a constructive piece of work and very much worth while and should therefore not be lost."

Mr. Springer, chairman of the Legislative Committee, called attention to the action taken by the meeting two years ago, whereby the secretary of the American Society was directed not to recognize certificates issued under the 1923 Amendment to the Tennessee Board of Accountancy Act, until further action was taken by the Society. The action was taken at that time on his motion because of the fact that a test court case was contemplated against that particular amendment on the ground of class legislation. The case was started, argued, and in the possession of the Judge for consideration when unfortunately he was called before another

bar and departed this life not having made a decision. The matter was never formally determined by the courts. Some of the men who obtained cer-

tificates under that waiver clause were bona fide public accountants. The most of them were not. Mr. Springer was of the opinion, gained by correspondence with some of our members in Tennessee, with members of the new State Board of Accountancy of Tennessee, by a written report from our Tennessee Representative and after a conference with him that (although the opinions of all the persons consulted were not unanimous) it would be well for the Society to pass the following resolution:

"The Board of Directors of the American Society of Certified Public Accountants is requested to direct the secretary to admit to membership in the American Society applicants from the State of Tennessee who are holders of certificates issued by the State Board of Accountancy of Tennessee under the 1923 waiver provision who furnish evidence that they have been in continuous practice as public accountants since receiving their certificates and who have had said certificates officially recognized by the present Tennessee State Board of Accountancy."

The resolution as suggested was unanimously adopted.

Mr. Springer brought forward at this time a second resolution which had been presented to the committee and recommended its adoption:

Whereas it was the apparent intent of Congress in creating the United States Board of Tax Appeals to afford all taxpayers the opportunity of an appeal before payment of additional taxes; and

Whereas the Revenue Act of 1924 has been so construed as to deny the taxpayers the right to have the Board of Tax Appeals consider appeals arising through claims for abatement filed under the Revenue Act of 1921 and prior acts: Now, therefore, be it

Resolved, That it is the sense of the American Society of Certified Public Accountants that Section 279-B of the Revenue Act of 1924 should be amended to read, "If a claim is filed as provided

in sub-division A of this section, or has been filed under the provisions of any Federal Revenue Act, the Collector shall transmit the claim immediately to the commissioner, who shall, by registered mail, notify the taxpayer of his decision on the claim. The taxpayer may within 60 days after such notice is mailed, file an appeal with the Board of Tax Appeals"; and be it further

Resolved, That the secretary be hereby instructed to transmit a copy of this resolution to each member of Congress and that the president of the American



D. H. MCCOLLOUGH, C. P. A.

Winner of the Trapshooters' Cup, Presented by the Virginia Society of Public Accountants

Society of Certified Public Accountants is hereby empowered and instructed to appoint a Federal Legislative Committee with power to act in the matter of bringing this resolution, and any other matters relating to suggested amendments which they may deem proper, to the attention of the Senate Finance Committee, the House Ways and Means Committee, the Special Committee on Tax Revision of the Chamber of Commerce of the United States and other bodies concerned with tax revision programs.

The resolution was seconded and unanimously carried.

Mr. Goodloe, chairman of the Memorial Committee, read the following resolutions, which were adopted by a rising vote with the recommendation that they be spread on the minutes of the Society and copies transmitted to the families and to the state societies of the deceased members:

Whereas our Society has been officially notified of the death during the year of ten of our members, and appreciating the loyalty and attachment of these men to the upbuilding of our organization and realizing our loss in the passing of these men from our councils:

Be it resolved, That we extend to the families and related survivors of Robert S. Benedict, Oklahoma; Herbert Dawson, Illinois; Wm. H. S. Jarvis, Massachusetts; Clarence R. Laws, Missouri; Frank J. McDonald, Texas; J. R. Mayes, Kentucky; Alonzo Richardson, Georgia; A. A. V. Thomson, Pennsylvania; Felix Ullmann, New York; Paul J. Wetzler, District of Columbia, our sincere sympathy and token of respect.

Whereas Almighty God in His infinite wisdom, removed from his temporal labors our fellow member and Vice President, Philip B. Price, whose genial character, ability, and zealous attachment to the well being of our Society and the profession of accountancy we fully recognize.

Now, therefore, we the members of The American Society of Certified Public Accountants in convention assembled do hereby resolve, That we extend to the family of our deceased member our

profound sympathy in their bereavement and that we do hereby record our sense of loss; and that this resolution be appropriately engrossed and transmitted to the widow of our friend and fellow member, and be spread upon the minutes of our present meeting.

Considerable discussion ensued following a resolution introduced by Henry J. Miller, of Louisiana with reference to the committee appointed a little over a year ago

for conference with a similar committee of the American Institute of Accountants. A report of the discussion will appear in a later issue. After a discussion on Mr. Miller's resolution the following resolution presented by Mr. Ward of Ohio, was adopted:

Whereas the report of our president indicates that the committees appointed by the American Society of Certified Public Accountants and the American Institute of Accountants to consider the question of cooperation or coordination have reported no agreement has been reached or is in prospect: Now, therefore, be it

Resolved, That the committee's duties be considered ended and the committee is hereby discharged.

Mr. Tanner of Illinois moved that the Board of Directors be authorized to appoint the committees recommended by the president in his annual report, which motion was carried.

Mr. Tanner also moved that the secretary endeavor to ascertain the names of those members who expect to travel in Europe in the summer of 1926 and that the president-elect be authorized to designate such men as representatives of this Society to attend the International Conference of Accountants to be held in Holland.

Mr. Tanner also reported that a group had followed President Pride's suggestion in his annual report to the effect that an effort be made to clear up the balance sheet deficit in the finances of the Society in the amount of \$2,480.87, with the result that they had raised during the convention \$2,158.00 in contributions for this purpose.

Mr. Kimball presented the following resolution which was adopted subject to the action of the Board of Directors:

Whereas it has been over twenty years since Public Accountants from all countries have assembled in convention in the United States; and

Whereas the convening in the United States of an International Congress of Public Accountants for exchange of thought and advancement of the ideals and principles of the profession is highly desirable; and

Whereas there is to be held in the

City of Philadelphia, Pennsylvania, during the latter part of the year 1926 a great exposition to commemorate the Sesqui-Centennial of the birth of our Country: Therefore

Be it resolved, That it is the sense of The American Society of Certified Public Accountants that an International Congress of Public Accountants should be convened in the City of Philadelphia during the month of September, 1926.

Further resolved, That the President be authorized to appoint a Committee of Members of this Society to act jointly with similar committees, if appointed, of the National Association of Cost Accountants, the American Institute of Accountants and the Societies of the several States of the United States and foreign countries to formulate plans and put same into effect for convening the said International Congress.

The following resolution offered by Mr. Main was unanimously adopted:

Whereas the Fourth Annual Meeting of the American Society of Certified Public Accountants has been so hospitably and efficiently entertained by the Virginia State Society of Public Accountants;

Whereas nothing has been left undone to care for the comfort, pleasure and welfare of not only the members of the American Society but their wives and guests as well;

Whereas the Virginia Society of Public Accountants has donated a trapshooting cup to be held by the best trapshooting certified public accountant attending this convention;

Whereas Hon. E. Lee Trinkle, the Governor of Virginia, took the time out of a very busy day to extend his official and personal welcome to his State;

Whereas the Jefferson Hotel, the newspapers of Richmond and all other business houses of Richmond, with whom we have come in contact have all treated us with true Southern courtesy and helpfulness:

Be it resolved, That this convention extend a rising vote of thanks to the entertainment committee of the Virginia Society of Public Accountants, their assistants, their wives, his excellency the Governor of this State and all others in Richmond who have aided them in adding so effectively to the enjoyment of our stay in Richmond;

Be it further resolved, That copies of this resolution be sent by our secretary to the Virginia Society of Public Accountants, Hon. E. Lee Trinkle, Governor of the Commonwealth of Virginia, the management of the Jefferson Hotel and the newspapers of Richmond.

President Pride introduced two

gentlemen to the Convention—Mr. Upleger of Texas, as the man who formerly held the D. W. Springer golf cup, and Mr. Patton to whom the cup has been awarded this year.

Mr. Pride then said he gave Mr. Councilor three minutes to tell about Mr. Hamel's lectures on the United States Board of Tax Appeals.

Mr. COUNCILOR. These lectures were reported at the time they were given with the idea of distributing them. At that time an announcement was made in "The Certified Public Accountant" that they were being given and that a certain number would be available. In response to that notice a number of requests were received. The District Institute is having prepared a small number of lectures in addition to those that were asked for. Those are going to be ready I believe within the next week. The Institute is trying to break even on the proposition financially and in order to do that we are charging \$10 each for the lectures. They are being put up in nice shape with flexible covers, so that it makes a nice looking volume. If any one here wants a copy of the lectures, I should be glad to have the order either with a check or without.

The meeting adjourned at 6.00 o'clock.

An account of the annual banquet held Friday, September 11th, will appear in the November issue.

STATE BOARD NEWS

Louisiana

Lanaux Rareshide, C. P. A., with offices at 918 Whitney Central Building, New Orleans, La., has been appointed by Governor Fuqua on the State Board of Certified Public Accountants for a term of five years, succeeding R. J. LeGardeur, C. P. A., whose term has expired and who, under the law, is not eligible for reappointment. Mr. Rareshide is one of the younger certified public accountants in practice in the State and is Treasurer of the Society of Louisiana Certified Public Accountants and a member of the American Society of Certified Public Accountants. The Louisiana Board is now composed of Archie M. Smith, Presi-

dent; Emile Bienvenu, Secretary; C. E. Wermuth and Lanaux Rare-shide, all of New Orleans, and H. M. Snider, of Shreveport.

Michigan

The Michigan Board of Accountancy, appointed in compliance with the new Accountancy Law of Michigan, is now composed of the following: Chairman, Robert Davidson, C. P. A., Detroit; Vice Chairman, A. W. Ehrman, C. P. A., Detroit; Secretary, D. W. Springer, C. P. A., Ann Arbor; Counsel, Theo. C. Betzold, Detroit; Governor Groesbeck, Lansing.

New Jersey

On August 14, 1925, Rider College, Trenton, N. J., conferred upon William H. Compton, C. P. A., the degree of Bachelor of Accounts. Mr. Compton is Secretary of the New Jersey State Board of Public Accountants.

Pennsylvania

At the annual meeting of the Pennsylvania State Board for the Examination of Public Accountants held at Seaview Golf Club, Absecon, N. J., on August 25, the following officers were elected for the coming year: President, Frank Wilbur Main, C. P. A., Pittsburgh; Vice President, Joseph M. Pugh, C. P. A., Philadelphia; Treasurer, Robert L. Wallace, Attorney, New Castle; Secretary, Horace P. Grif-fith, C. P. A., Philadelphia.

Virginia

The Virginia State Board of Accountancy announces that the next examination for the Certificate of Certified Public Accountant will be held at Richmond, Va., on October 26, 27 and 28, 1925.

Applications should be in the hands of the Secretary at an early date. For further information, write A. M. Pullen, C. P. A., Secretary, Virginia State Board of Accountancy, Box 746, Richmond, Va.

Wisconsin

The newly appointed Wisconsin State Board of Accountancy is composed of Carl Penner, C. P. A., Milwaukee, Wis.; B. A. Kiekhofer, C. P. A., Milwaukee, Wis.; J. Currie Gibson, C. P. A., Sheboygan, Wis.

The new board met on August 6 and organized as follows: President, Carl Penner; Vice President, J. Currie Gibson; Secretary, B. A. Kiekhofer.

All three members of the Board are members of the American Society of Certified Public Accountants.

SPEED

Does a runner learn to run fast by running fast?

Does a typist learn to write rapidly by writing rapidly?

Does any one learn to do anything in a hurry by being in a hurry?

Experience has been divided upon the point. The child studying the piano has always been instructed to practice scales slowly, gradually increasing speed; it was the accuracy of fingering that seemed important. But runners have been trained to run by running, and typists to make speed by speeding. Now comes a scientific test to demonstrate that training for accuracy produces more speed than training for speed.

Two groups of typists were made to practice; the one to go as fast as they could; the other to go as accurately as they could.

After some time of practice in both divisions, a speed test was held, in which the group trained for accuracy without speed beat the speeders without the slightest difficulty and were much more accurate with their speed than the speeders were!

The lessons seem conclusive; "speeding up" in any commercial operation is not effectively accomplished by demanding speed, but

by insistence upon accuracy. What we do with accuracy we do with ease, and what is easy is done speedily!

—From Adams Impressions.

IN MEMORIAM

It is with regret that we announce the death of Edward W. Hooke, of Duluth, Minn. Mr. Hooke died very suddenly on August 6, while spending the summer with his family at Lake Hill, N. Y. Pneumonia and heart failure was given as the cause of his death.

Mr. Hooke was born on July 10, 1858, at "Rose Mount," Oxtou, Birkenhead, England, the son of the late Edward and Fanny Pitt Hooke. He was educated at Liverpool College and was a member of the Liverpool College "Old Boys." He received his training as an English chartered accountant with the firm of Blease and Sons of Liverpool, serving articles with them for five years. In 1883 he went to Canada and served in the Louis Riel Rebellion in the Canadian Northwest. He was with the Royal Regiment of Canadian Artillery as sergeant of the battery, was a friend of "Black Bull," Sioux Indian and brother of "Sitting Bull," of Custer history. In 1886 he located in New York City and re-entered his profession. In 1896 he was graduated from the University of the State of New York and in July, 1906, he was admitted to citizenship of the United States. He was the holder of New York C. P. A. certificate No. 38, dated December, 1896, and was one of the framers of the New York State Certified Public Accountant law.

On October 9, 1919, Mr. Hooke was married to Eulalie Daisy Watson, of Lake Hill, N. Y. His widow and an adopted son, Earl Watson Hooke, survive him.

Mr. Hooke was a member of the American Society holding membership certificate No. 961.

MEETINGS OF BOARD OF DIRECTORS

(Continued from page 88)

Ninth District, George K. Edler, Reno, Nev.

Tenth District, J. W. Robinson, Boise, Idaho.

The following members of the Board were present:

Edwin L. Pride, Boston, Mass.

W. L. Harrison, Washington, D. C.

Homer A. Dunn, New York City.

J. S. M. Goodloe, New York City.

C. C. Croggon, Baltimore, Md.

Thomas H. Evans, Detroit, Mich.

A. C. Clarkson, Columbia, S. C.

Carl E. Dietze, Milwaukee, Wis.

Parry J. Barnes, Kansas City, Mo.

The Board organized by electing the following officers for the ensuing year:

President, Harry E. Lunsford, Kansas City, Mo.

Vice President, Edwin L. Pride, Boston, Mass.

Vice President, Charles Hecht, New York City.

Vice President, A. Lee Rawlings, Norfolk, Va.

Vice President, Harry B. Scott, Pittsburgh, Pa.

Vice President, H. Ivor Thomas, Los Angeles, Calif.

Secretary, W. L. Harrison, Washington, D. C.

Treasurer, James A. Councilor, Washington, D. C.

Messrs. Pride, Harrison, Hecht, Rawlings, Scott and Councilor were in attendance at the Convention and took their places with the Board. This gave an attendance of 13 of the 20 members of the Board.

The Board spent the greater part of Saturday morning planning the activities of the Society for the new year. The meeting adjourned at 12.30 p. m. to meet at the call of the President.

Mr. Lunsford has called the next meeting for October 2nd in New York City.

Many matters of vital importance will come up and an account of this meeting will be carried in the November issue.

These two meetings were the most interesting of any ever held by the Board. The attendance and activity of the members indicate that the Society is getting well organized to carry on the work of advancing the profession.

STATE SOCIETY NEWS

(Continued from page 111.)

Alabama

The annual meeting of the Alabama Society of Certified Public Accountants held in Birmingham on Monday, September 8, 1925, was one of the most successful meetings ever held by the Society.

Mayer W. Aldridge, C. P. A., of Montgomery, addressed the meeting on "The Future of the Accounting Profession in Alabama." His talk was enjoyed by all present. Frank L. Hammond, C. P. A., of Birmingham, gave another very interesting address on "Budgeting."

A special committee, composed of Frank L. Hammond, C. P. A., chairman; Otto H. Schultz, C. P. A.; Francis B. Latady, C. P. A., was appointed to prepare a Code of Ethics for the Society and submit it to the members by mail before January 1, 1926, and then complete the report so that it may be voted on at the next annual meeting.

Officers elected for the ensuing year are: President, James E. Dowe, C. P. A., Montgomery; Secretary-Treasurer, John F. Andrews, C. P. A., Birmingham; Chairman of the Council, Otto H. Schultz, C. P. A., Birmingham; Members of the Council, Vivian R. Pritchard, C. P. A., Mobile, Harold C. Crane, C. P. A., Montgomery, William J. Christian, C. P. A., and Frank L. Hammond, C. P. A., of Birmingham.

The next annual meeting will be held in Montgomery on September 1, 1926.

Connecticut

A special meeting of the Connecticut Society of Certified Public

Accountants was held in New Haven on September 25, 1925, at the Hof-Brau Haus. Dinner was served at 7.15 o'clock p. m., and was followed by a business session.

About twenty-four members were in attendance. Reports were received from the chairmen of the various committees and from representatives who attended the annual conventions of The American Institute of Accountants and The American Society of Certified Public Accountants.

The next meeting of the Society will be held in Hartford on December 4, 1925.

North Carolina

The annual meeting of the North Carolina Association of Certified Public Accountants will be held on November 9 and 10, 1925, at the Hotel Charlotte, Charlotte, N. C., when the association will be entertained by the Charlotte members. Interesting plans have been made.

Virginia

The Virginia Society of Public Accountants held its regular annual meeting on September 5, 1925, at the Hotel Richmond, Richmond, Virginia. W. L. Elkins, C. P. A., president, presided, and F. P. Stratford, C. P. A., was secretary.

The following officers were elected for the coming year: President, R. J. Walker, C. P. A., Norfolk; Vice President, F. P. Stratford, C. P. A.; Secretary-Treasurer, T. Coleman Andrews, C. P. A.

PERSONALS

John S. Roth, C. P. A., of the firm of Cambria, Roth and Cambria, Middletown, Conn., has the distinction of being elected the first Tax Commissioner of Middletown. A local newspaper in giving an account of the election says in part: "Mr. Roth is a trained accountant, accustomed to responsibility and a diligent worker. He has a difficult job before him, and one that will be decidedly unpleasant at times, but if he applies to it the same intelligence, energy and faithfulness

that has characterized his work in the past he ought to make the position all that those responsible for its creation want it to be."

Mr. Roth is a member of the American Society of Certified Public Accountants.

Mr. James S. Y. Ivins who recently resigned from the United States Board of Tax Appeals, has become a member of the firm of Holmes & Brewster, 815 Fifteenth Street N. W., Washington, D. C., which will hereafter be known under the firm name of Holmes, Brewster & Ivins.

VISITORS IN WASHINGTON

August 24 to September 30, 1925.

Edward S. Elliott, Memphis, Tenn.
G. S. Alexander, Augusta, Ga.
L. L. Davis, Atlanta, Ga.
Edwin L. Pride, Boston, Mass.
H. A. Dykes, Baltimore, Md.
Gilbert B. Geiger, Chicago, Ill.
D. W. Springer, Ann Arbor, Mich.
P. W. Pinkerton, Chicago, Ill.
Parry Barnes, Kansas City, Mo.
E. G. Shorrock, Seattle, Wash.
J. M. Cumming, Pittsburgh, Pa.
Carl E. Dietze, Milwaukee, Wis.
A. H. Hammarstrom, Clinton, Iowa.
James F. Hughes, Jersey City, N. J.
Frank Wilbur Main, Pittsburgh, Pa.
W. Q. Sharp, Jackson, Miss.
Walter L. Boyden, Boston, Mass.
J. B. Tanner, Chicago, Ill.
Homer A. Dunn, New York City.
J. Lee Boothe, Detroit, Mich.
C. H. Reimerth, Casper, Wyo.
Burney R. Clack, Tulsa, Okla.
A. C. Clarkson, Columbia, S. C.
Henry J. Miller, New Orleans, La.
W. W. Colledge, Pittsburgh, Pa.
Harry B. Scott, Pittsburgh, Pa.
Hugh L. Dickerson, Richmond, Va.
Linton D. Baggs, Atlanta, Ga.
S. Chas. Steele, Fairmont, W. Va.
Victor Markwalter, Augusta, Ga.
C. R. Dawson, Atlanta, Ga.
Gilbert S. Gilbertson, Fort Smith, Ark.
Walter H. Shults, Grand Rapids, Mich.
R. S. McGlasson, Louisville, Ky.
J. S. M. Goodloe, New York City.
Charles Hecht, New York City.
A. C. Upleger, Waco, Texas.
Wilmer Black, Baltimore, Md.
F. S. Kitson, Clarendon, Va.
L. C. Nielsen, Battle Creek, Mich.
Charles F. Coates, Hartford, Conn.
Howard F. Farrington, Watertown, N. Y.
W. T. McConnell, Detroit, Mich.
A. Lee Rawlings, Norfolk, Va.
H. C. Goettsche, Chicago, Ill.
Harold Dudley Greeley, New York City.
Edwin E. Jones, Rockford, Ill.
Wm. C. Kottemann, Los Angeles, Calif.
Adolphe Rafter, New York City.
H. M. Jay, Memphis, Tenn.
T. Coleman Andrews, Richmond, Va.
David A. Jayne, Charleston, W. Va.
Frank E. Webner, Detroit, Mich.
Harry E. Lunsford, Kansas City, Mo.
F. W. Morton, Detroit, Mich.
Orris H. Parker, Montpelier, Vt.
Chas. W. Saussy, Savannah, Ga.

MEMBERSHIP OF THE AMERICAN SOCIETY

(Continued from our September issue)
(Members recorded from August 25, to September 30, inclusive)

C. E. Alexander, 525 Finch Bldg., Aberdeen, Wash.

Thos. J. Keenan, 4219 Murray Ave., Pittsburgh, Pa.

John G. Conley, 425 East Water St., Milwaukee, Wis.

James J. Scarborough, care of Stockham Pipe & Fittings Co., Birmingham, Ala.

John F. Andrews, 1507 Empire Bldg., Birmingham, Ala.

Chas. H. Moses, 3456 Highland Ave., Birmingham, Ala.

Chas. A. Muzzy, P. O. Box 854, Fort Myers, Fla.

Harold Deighton, 320 Cumberland St., Brooklyn, N. Y.

Lee E. Loeffler, 1024 South Houston Ave., Tulsa, Okla.

Ralph L. Steele, Raleigh, N. C.
E. Mansfield, 219 West Seventh St., Los Angeles, Calif.

M. C. Humphrey, 1302 Madison St., Hammond, Ind.

Rhae M. Swisher, First National Bank Bldg., Hammond, Ind.

Lewis Gompers, 81 Fulton St., New York City.

Perley Morse, 165 Broadway, New York City.

George H. Penn, 409 Weis Bldg., New Orleans, La.

Lawrence Hawley, 354 Payson Road, Belmont, Mass.

Henry J. Shine, 4 Barnes Ave., Worcester, Mass.

Louis I. Shulinski, 390 Main St., Worcester, Mass.

Montford L. Higgins, 230 Columbia Ave., Los Angeles, Calif.

Frank D. Byrne, 6106 Stony Island Ave., Chicago, Ill.

W. E. Schneider, 1074 Thirty-ninth St., Milwaukee, Wis.

B. J. Holcomb, P. O. Box 223, Bozeman, Mont.

George E. Walling, 616 Falls Bldg., Memphis, Tenn.

George V. McLaughlin, 51 Chambers St., New York City.

Leon Gaylord Andrews, care of Newcomb & Endicott Co., Detroit, Mich.

Edward H. Cohn, 1328 Broadway, New York City.

R. H. Prytherch, 7 Dey St., New York City.

W. K. Cottrell, P. O. Box 2046, Tulsa, Okla.

R. R. Sevenich, 706 Thirty-seventh St., Milwaukee, Wis.

Frank L. Hammond, 910 Age Herald Bldg., Birmingham, Ala.

Harry S. Johnson, Buhl Bldg., Detroit, Mich.

C. Milton Clark, First Trust & Deposit Bldg., Syracuse, N. Y.

William O. Olson, 1180 East Sixty-third St., Chicago, Ill.

B. W. Bours, 620 Market St., San Francisco, Calif.

Robert H. Perry, American Bank Bldg., Oakland, Calif.

James L. Dohr, 52 Broadway, New York City.

Adolfo Fabella, 204 Roxas Bldg., Manila, Philippine Islands.

Edgar A. Ryerson, Bank of Commerce Bldg., Memphis, Tenn.

William A. Smith, 1460 Madison Ave., Memphis, Tenn.

Louis H. Decker, 510 Fay Bldg., Los Angeles, Calif.

Thomas Riggs Dempsey, 836 Security Bldg., Los Angeles, Calif.

Albert V. Travis, 405 American Bank Bldg., San Francisco, Calif.

Arthur T. Cameron, 1203 Real Estate Trust Bldg., Philadelphia, Pa.

Edward P. Moxey, Jr., 1203 Real Estate Trust Bldg., Philadelphia, Pa.

Arthur Earnest Welsh, 204 Hall Bldg., St. Petersburg, Fla.

(To be Continued)

CERTIFIED PUBLIC ACCOUNTANT

(N. Y.-N. J.), Member American Institute of Accountants, having an established clientele, will consider partnership with high grade C. P. A. with similar practice. Or, will consider connections with C. P. A. desiring to devote less time to his practice. Location, Philadelphia or Metropolitan district preferred. Address, Box 118, The Certified Public Accountant.

The Washington Hotel

WASHINGTON, D. C.

**Pennsylvania Avenue opposite
United States Treasury**

**Every Room with Bath, Tub, and
Shower**

**HEADQUARTERS
Certified Public Accountants**

S. E. Bonneville, Manager.

I. T. I.



I. T. I.

The only full INDEX to every official authority on federal income taxes—locates *instantly* Laws, Regulations, Rulings, T. D.'s, Court Cases, and Decisions of Board of Tax Appeals.

Small initial cost—nominal for upkeep.

**Income Tax Index Service, Inc.
9-15 Clinton St.
Newark, New Jersey.**

STANDARD APPRAISALS

Made by Qualified Experts in all lines

Correspondence Invited.

**Standard Appraisal Company
90 John Street, New York
Branches, All Principal Cities.**

The Certified Public Accountant

The Official Organ of the

AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Will Accept a Limited Amount of High-Grade
ADVERTISING MATTER

Statement of Circulation and Advertising
Rates will be furnished on application

THE CERTIFIED PUBLIC ACCOUNTANT

736 Woodward Building - - - - - Washington, D. C.

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 5

NOVEMBER, 1925

20 CENTS THE COPY
\$2.00 PER YEAR

“The great business
of man is to improve
his mind and govern
his manners.”

—*Marcus Aurelius*—

DEVOTED TO THE INTERESTS OF THE C. P. A., HIS CLIENT, AND THE PUBLIC WELFARE

DIRECTORY OF OFFICIALS

OFFICERS

President:

Harry E. Lunsford, C. P. A.
1003 Pioneer Trust Building, Kansas
City, Mo.

Vice Presidents:

Charles Hecht, C. P. A.
Johns-Manville Building, 292 Madison
Avenue, New York City.
Edwin L. Pride, C. P. A.
40 Central Street, Boston, Mass.
A. Lee Rawlings, C. P. A.
407-12 Law Building, Norfolk, Va.
Harry B. Scott, C. P. A.
Oliver Building, Pittsburgh, Pa.
H. Ivor Thomas, C. P. A.
220 A. G. Bartlett Building, Los
Angeles, Calif.

Secretary:

W. L. Harrison, C. P. A.
736 Woodward Building, Washington, D. C.

Treasurer:

James A. Councilor, C. P. A.
426 Woodward Building, Washington, D. C.

DIRECTORS

First District—

Irville A. May, C. P. A., 129 Church
Street, New Haven, Conn.

Second District—

Homer A. Dunn, C. P. A., 35 West Sixty-
fourth Street, New York City.
J. S. M. Goodloe, C. P. A., 165 Broadway,
New York City.
Robert H. Montgomery, C. P. A., 110
William Street, New York City.

Third District—

C. C. Croggon, C. P. A., 1243 Calvert
Building, Baltimore, Md.

Fourth District—

Thomas H. Evans, C. P. A., Dime Bank
Building, Detroit, Mich.

Fifth District—

David Himmelblau, C. P. A., 76 West
Monroe Street, Chicago, Ill.

Sixth District—

A. C. Clarkson, C. P. A., Loan & Ex-
change Building, Columbia, S. C.

Seventh District—

Carl E. Dietze, C. P. A., 209 Grand Ave-
nue, Milwaukee, Wis.

Eighth District—

Parry J. Barnes, C. P. A., 1003 Pioneer
Trust Building, Kansas City, Mo.

Ninth District—

George K. Edler, C. P. A., Reno National
Bank Building, Reno, Nev.

Tenth District—

J. W. Robinson, C. P. A., 1114 North
Seventh Street, Boise, Idaho.

AUDITORS

Wm. McK. Evans, C. P. A., Times Dispatch
Building, Richmond, Va.
Guy M. Scott, C. P. A., State and City Bank
Building, Richmond, Va.
J. M. Culbreth, C. P. A., American National
Bank Building, Richmond, Va.

STATE REPRESENTATIVES

Alabama—Otto H. Schultz, C. P. A., Ameri-
can Trust Building, Birmingham, Ala.

Arizona—James M. Lawton, C. P. A., Box
597, Tucson, Ariz.

Arkansas—John H. Worman, C. P. A., 21
Pettit Building, Stuttgart, Ark.

California—R. W. E. Cole, C. P. A., 817
I. N. Van Nuys Building, Los Angeles,
Calif. William Dolge, C. P. A., 369 Pine
Street, San Francisco, Calif.

Connecticut—Irville A. May, C. P. A., 129
Church Street, New Haven, Conn.

Delaware—Alfred H. Coe, C. P. A., DuPont
Building, Wilmington, Del.

District of Columbia—James A. Councilor,
C. P. A., 426 Woodward Building, Wash-
ington, D. C.

Colorado—Louis C. Linck, C. P. A., 601
U. S. National Bank Building, Denver,
Colo.

Florida—Walter Mucklow, C. P. A., 420
Peninsular Casualty Building, Jackson-
ville, Fla.

Georgia—W. C. Jackson, C. P. A., 1423
Atlanta Trust Company Building, At-
lanta, Ga.

Hawaii—Edward V. Wright, C. P. A.,
Waity Building, Honolulu.

Idaho—Jeremiah W. Robinson, C. P. A.,
1114 N. Seventh Street, Boise, Idaho.

Illinois—George P. Ellis, C. P. A., 30 North
La Salle Street, Chicago, Ill. David
Himmelblau, C. P. A., 76 West Monroe
Street, Chicago, Ill. George W. Rosset-
ter, C. P. A., Harris Trust Building,
Chicago, Ill.

Indiana—H. A. Roney, C. P. A., 819 State
Life Building, Indianapolis, Ind.

Iowa—A. H. Hammarstrom, C. P. A., 208-9
Weston Building, Clinton, Iowa.

Kansas—Charles A. Smith, C. P. A., 316
Wheeler, Kelly, Hagney Building, Wich-
ita, Kans.

Kentucky—William Cotton, C. P. A., 1428
Inter-Southern Building, Louisville, Ky.

Louisiana—R. J. LeGardeur, C. P. A., 603-7
Carondelet Building, New Orleans, La.

Maine—George M. Graffam, C. P. A., 415
Congress Street, Portland, Me.

Maryland—Charles C. Croggon, C. P. A.,
Calvert Building, Baltimore, Md.

Massachusetts—H. C. Bentley, C. P. A., 921
Boylston Street, Boston, Mass. Herbert
F. French, C. P. A., 100 Summer Street,
Boston, Mass. Daniel B. Lewis, C. P. A.,
Park Square Building, Boston, Mass.
Edwin L. Pride, C. P. A., 40 Central
Street, Boston, Mass.

Michigan—Thomas H. Evans, C. P. A.,
Dime Bank Building, Detroit, Mich.
Frederic A. Tilton, C. P. A., 1630 First
National Bank Building, Detroit, Mich.

Minnesota—A. F. Wagner, C. P. A., 532
Security Building, Minneapolis, Minn.

Mississippi—Nelson E. Taylor, C. P. A.,
218 East Jefferson, Greenwood, Miss.

Missouri—Parry J. Barnes, C. P. A., 1003
Pioneer Trust Building, Kansas City, Mo.

Montana—E. E. Murray, C. P. A., Northern
Hotel Building, Billings, Mont.

Nebraska—William Bryden, C. P. A., 633
Securities Building, Omaha, Nebr.

Nevada—George K. Edler, C. P. A., Reno
National Bank Building, Reno, Nev.

New Hampshire—Clarence I. Drayton, C.
P. A., 922 Elm Street, Manchester, N. H.

New Jersey—Frank G. DuBois, C. P. A.,
1009-1010 Kinney Building, Newark, N. J.

New York—Alexander S. Banks, C. P. A.,
7 Dey Street, New York City. Homer A.
Dunn, C. P. A., 35 West Sixty-fourth
Street, New York City. Paul-Joseph
Esquerre, C. P. A., 20 Vesey Street, New
York City. J. S. M. Goodloe, C. P. A.,
165 Broadway, New York City. Harold
Dudley Greeley, C. P. A., 25 West Forty-
third Street, New York City. Charles
Hecht, C. P. A., 292 Madison Avenue,
New York City. William M. Lybrand,
C. P. A., 110 William Street, New York
City. John T. Madden, C. P. A., 32
Waverly Place, New York City. Robert
H. Montgomery, C. P. A., 110 William
Street, New York City.

New Mexico—C. C. Boldt, C. P. A., Los
Lunas, N. Mex.

North Carolina—Frederick Moore, C. P.
A., 10 Vail Avenue, Charlotte, N. C.

North Dakota—J. A. Cull, C. P. A., 44 Ed-
wards Building, Fargo, N. Dak.

Ohio—Walter D. Wall, C. P. A., 44 West
Gay Street, Columbus, Ohio. Philip G.
Ward, C. P. A., Hanna Building, Cleve-
land, Ohio.

Oklahoma—Burney R. Clack, C. P. A., 207
Richard Building, Tulsa, Okla.

Oregon—E. M. Wilson, C. P. A., Liberty
Building, Medford, Ore.

Pennsylvania—W. W. Colledge, C. P. A.,
Farmers Bank Building, Pittsburgh, Pa.
Horace P. Griffith, C. P. A., Franklin
Trust Building, Philadelphia, Pa. I. C.
Snyder, C. P. A., Farmers Bank Build-
ing, Pittsburgh, Pa.

Rhode Island—S. George Hay, C. P. A.,
Hospital Trust Building, Providence,
R. I.

South Carolina—A. C. Clarkson, C. P. A.,
Loan and Exchange Building, Columbia,
S. C.

South Dakota—George A. Anderson, C. P.
A., Aberdeen, S. Dak.

Tennessee—Edward S. Elliott, C. P. A.,
Bank of Commerce Building, Memphis,
Tenn.

Texas—A. C. Upleger, C. P. A., Waco,
Tex.

Utah—W. E. Nissen, C. P. A., 1505 Walker
Bank Building, Salt Lake City, Utah.

Vermont—Orris H. Parker, C. P. A., 16
State Street, Montpelier, Vt.

Virginia—A. M. Pullen, C. P. A., 1103-6
State and City Bank Building, Rich-
mond, Va.

Washington—A. S. Hansen, C. P. A., Leary
Building, Seattle, Wash.

West Virginia—Okey K. Hayslip, C. P. A.,
P. O. Box 642, Huntington, W. Va.

Wisconsin—Carl E. Dietze, C. P. A., 209
Grand Avenue, Milwaukee, Wis.

Wyoming—Charles H. Reimerth, C. P. A.,
401 O. S. Building, Casper, Wyo.

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 5

NOVEMBER, 1925

20 CENTS THE COPY
\$2.00 PER YEAR



WE FIND THAT—

There are as many certified public accountants in the state of New York alone as there are in the entire territory west of the Mississippi River and south of the Ohio and Potomac Rivers.

“Since the organization of the United States Board of Tax Appeals on July 16, 1924, to October 1, 1925, 7,664 cases have been filed and of these approximately 3,800 cases have been heard and disposed of, which is almost exactly 50 per cent. Allowing for vacations, this represents about 400 cases per month.”—Chairman Korner’s Address before the New York State Society of C. P. A’s.

Over 78 per cent of the Certified Public Accountants in the United States hold certificates of the state in which they reside.

Maryland, the first state to pass a complete regulatory law, has issued 104 C. P. A. certificates and issued 246 Registration certificates under the new law.

Louisiana, the second state to pass such a law, has issued 268 C. P. A. certificates and 137 Registration certificates.

Of the 1,813 C. P. A’s in New York State, on September 1, 1925, 504 do not hold New York certificates.

Indiana has issued, to date, 656 C. P. A. certificates and of this number 199 are now held by residents of that state.

There are 80 C. P. A’s of New York who reside outside of that state and who do not hold a certificate of the state of residence.

New Hampshire has issued, to date, 368 C. P. A. certificates and

of this number 12 are now held by residents of that state.

Two hundred and twenty-four professional societies and trade associations have adopted codes of ethics.

CONTENTS

	Page.
Editorials:	
“To Services Rendered”.....	118
By Frank Wilbur Main	
“Intermittent Employment of Juniors”.....	118
By Frank Wilbur Main	
“If I Only Had Time”.....	119
By Frank Wilbur Main	
Board of Directors Meeting.....	119
Secretary on Western Trip.....	119
Back Issues Wanted.....	119
“Practice Before the Board of Tax Appeals”.....	120
By Charles D. Hamel	
“The Accountant-Lawyer—The Lawyer-Accountant”.....	124
By Adrian F. Sanderbeck	
“The Cost Accounting Movement in Chamber of Commerce and Trade Association”.....	126
By T. W. Howard	
Report of the Editorial Committee.....	129
By Frank Wilbur Main, Chairman	
Convention Picture.....	132
C. P. A. Examination Questions—Maryland.....	134
In Memoriam.....	137
Report of Committee on Professional Education.....	138
By J. T. Madden, Chairman	
Book Reviews:	
“Practice Before the U. S. Board of Tax Appeals”.....	141
By Charles D. Hamel	
Financial Report of the American Society of C. P. A’s, Fiscal Year ended August 31, 1925.....	142
Visitors in Washington.....	144
State Society News.....	145
Announcements.....	146
New York State Society Meets.....	147
Membership in the American Society.....	148
Want Ads.....	148

THE CERTIFIED PUBLIC ACCOUNTANT

The Official Organ of
The American Society of Certified Public Accountants

Published by The American Society of Certified Public Accountants, Woodward Building, Washington, D. C.

Editor: **WILBUR L. HARRISON**
Business Manager: **F. S. CHAPPELL**

Subscription price per year of twelve issues, \$2.00; twenty cents the copy.

All communications should be addressed to the Editor.

Printed by the Terminal Press, Inc., 923 Eleventh Street N. W., Washington, D. C.

"TO SERVICES RENDERED"

WHEN you dictate a bill, what factors influence your charges? What do you think about most?

The distinctions between fee, compensation, reward and honorarium are now largely matters of but historical interest. Yet a knowledge of this history would be of benefit even today. When you bill Good and Company, do you say to yourself, here is a client who has stuck to us for years and never questions a bill, so we will cut down wherever possible and give him the best rate possible? When you bill Bad and Company, do you say here is a client who changes accountants every year or two and kicks on every item, we shall make him pay every charge that we can attribute to his work, he shall pay all the traffic will bear?

What measures the "value" of an accountant's services? Does "ability" to pay have any effect on the ultimate charge?

Does the clink of the typewriter and buzz of the telephone in a modern office make the dictation of bills a purely mechanical process in which the philosophy of your relationship with your client plays no part?

We believe the following factors should be taken into consideration by the person who fixes charges for professional services.

(a) He should consider service **first** and reward (pay) **second**.

(b) He should know that both **overestimates** and **underestimates** of the value of the services hurt the profession and that he owes a duty to his profession not to so hurt it.

(c) He should know that as head of an organization he owes a duty not only to himself, but to his

associates and employees to get proper compensation for them.

(d) He should know that the capital and years of experience represented in his business are factors not to be lost sight of.

(e) He should know that he owes a duty to his client that at times may conflict with other factors here enumerated.

How do you feel about all this or do you feel at all when you follow the form "to services rendered?"

Many believe that this is a matter for utmost secrecy and too sacred to be talked or written about—details even when they have to be set out in the bills rendered distress and pain them. How about you?

FRANK WILBUR MAIN.

INTERMITTENT EMPLOYMENT OF JUNIORS

WHITING WILLIAMS, the well known lecturer and writer on the labor problem, says: "Our living determines our thinking more than our thinking determines our living."

Contrary to sometimes superficial thought, the working man, whether miner, mechanic, seaman or unskilled laborer, desires above all things to hold his job. His entire life and that of his family revolves around the retention of his job. Irregularity of work creates the hobo and the transient workman. Back of the restrictions of output and hours on the part of the Unions is the fear of losing the job and the desire to make possible its longer retention.

The profession of accounting has made wonderful strides since the beginning of the World War. With the high taxes has come an increased demand for our services and with this increased demand, for the first time in the history of accounting in this country, staffs have been engaged on a fairly permanent basis. With the making of the professional accountant's work a twelve-months' job, the profession has not only attracted, but has held, a large group of better educated and better trained employees, both juniors and seniors.

With the elimination of the very high taxes and the return to normal conditions in industry, the old problem of keeping the organization busy is becoming acute.

If the accounting profession is to continue to occupy the place which it now holds, and as it must, if it is to meet the demands of this day and generation, one of the very practical problems which will have to be solved will be a more even distribution of accounting work throughout the year.

This problem, so far as this writer knows, has never been seriously considered by either the national or state societies of accountants. In the working out of this problem it is going to be necessary to obtain

the cooperation of the Chambers of Commerce and the business organizations of the country.

It is suggested that our own Society could do nothing more constructive than the appointment of an able committee to study and work out definite solutions for various phases of this problem. If the time is coming when accounting organizations generally will be compelled to lay off large numbers of good juniors simply because of lack of employment at certain times of the year, the profession is going to suffer irreparably through the loss in morale which must result therefrom. How can the thinking of the juniors, who are laid off, be other than warped by this experience, particularly when their work warrants their retention.

FRANK WILBUR MAIN.

"IF I ONLY HAD TIME"

WE ARE always fooling ourselves by the idea that the reason we do not do our duty with respect to social work, self improvement, reading good books, taking part in church activities and so forth, is lack of time.

It is true that today to attain success in any profession demands harder and more incessant labor than ever. Yet lack of time is the excuse of the lazy and selfish. Who are the men in any community or profession who do the most good for themselves and for the general welfare? They are usually the over-worked class, men who are up to their necks in their own business and on the job in ceaseless activity from January to December. If they play golf their score is usually over and not under 100.

Accountants as a class are by the very nature of their work less systematic and less continuously diligent than the members of other professions. Their work requires "paroxysms of activity" during the so-called rush season, followed by shorter periods of almost inactivity. It, therefore, behooves us to master the principles of economy of time. Too many of us are not what could be called whiling away time but we are too often but triflingly employed. If you really prize mental culture, or are really anxious to do good you will find time or make time for these activities. Few of us, no matter how large our business is, are so engrossed by work that we can not, with proper economy of time, do more. So when the urge comes from within or, as is more likely to be the case, the call comes from without, let us never again fool ourselves by passing up an opportunity to do disinterested service by sighing and saying, "If I only had time." Many of our readers could write better editorials and perhaps more instructive articles than have been appearing in this magazine, if they only had time. So let this be a "call." Come on and "do your stuff"—we want to and have time to improve,

FRANK WILBUR MAIN.

BOARD OF DIRECTORS MEETING

A meeting of the Board of Directors of The American Society of Certified Public Accountants was held in New York City on Friday, October 2, 1925, at the National Republican Club, 54 West Fortieth Street.

This was a well attended meeting of the Board, there being 10 of the 19 members present. Several important matters were discussed and plans outlined for work for this year. Several important committees were appointed and it was decided that another meeting of the Board of Directors should be held at an early date.

Such meeting was called for Thursday, October 29, at the Washington Hotel, Washington, D. C. This was the best attended meeting yet held by the Board, there being 13 of the 19 Board members present. The whole day was spent in the discussion of two important committee reports, of which the members will hear more after the Committee work is finished.

SECRETARY ON WESTERN TRIP

Secretary Harrison left on October 30th for a trip to the Pacific Coast and return. Arrangements have been made for him to meet the members and other Certified Public Accountants in the principal centers of the West. He will be gone for a month, and a detailed account of his trip will be carried in the December issue of The Certified Public Accountant.

PERSONALS

Jeremiah W. Robinson, C. P. A., Boise, Idaho, Director for the Tenth District in the American Society, spent the week of October 19th in Washington, D. C., where he attended the annual meeting of the Supreme Council of the Scottish Rite Masons, Southern Jurisdiction. Mr. Robinson is past Grand Master of the Masons of Idaho (1905) and was elevated to the 33rd Degree in 1912.

The Washington Hotel, whose ad is shown in this magazine, has put in the Prentice-Hall Federal Tax Service and the American Federal Tax Reports, and these services are available for the use of their guests while in Washington.

Allen Warren Clapp, C. P. A., announces the opening of an office for the practice of accountancy, 422 Candler Building, Atlanta, Ga.

BACK ISSUES WANTED

February, 1922.

July, 1922.

March, 1922.

August, 1922.

April, 1922.

September, 1922.

May, 1922.

October, 1922.

Write us what copies you have.

THE CERTIFIED PUBLIC ACCOUNTANT

Woodward Building

Washington, D C.

Practice Before the Board of Tax Appeals

I ASSURE you it is a very great pleasure to be with you again. A year ago I had the pleasure of being with you in Detroit. At that time we were starting out on a new venture. The seas were uncharted. A year has passed and we have had a year's experience.

I hope that I may talk with a little more freedom and with a little more informality than I did at that time. I come to you now as a fellow-practitioner. I come to you now as one who is troubled more or less with the same problems and the same difficulties.

You gentlemen, at the time the United States Board of Tax Appeals was created and its rules were formulated and promulgated, were admitted to practice before that Board. With that recognition there came certain duties and responsibilities which I think it well to consider for a moment or two. I think it well to examine some of the work that has been done before the United States Board of Tax Appeals within the last year, to point out some of the things that have occurred in the actual conduct of cases which may be helpful to you and which may give you some ideas with reference to the preparation and handling of your cases in the future.

It was my pleasure during the past summer to meet with a group of accountants in the City of Washington and engage in some rather informal discussions with reference to their practice before the Board.

It is impossible to cover a field as wide as that in a limited number of meetings. It is impossible for any one person to give to you the technique and all of the necessary equipment, training and so forth necessary to handle a case in the very best possible manner. In those discussions we wandered over a great deal of ground without attempting to follow the subjects

CHARLES D. HAMEL, Esq., former Chairman of United States Board of Tax Appeals, now member of firm of Hopkins, Starr, Hopkins and Hamel, Attorneys at Law, Washington, D. C.

out in any logical order, but we did have some very interesting discussions and pointed out a great many practical problems with which you will be faced in your everyday conduct of cases. I want to touch on just a few of those for whatever benefit you may be able to derive from them.

I want to call your attention first to the change in the character of your appearance before the Board. You are in effect now an officer of the Board; one who is admitted to practice law is an officer of the court and is subject to certain rules that the court has the power to enforce. He must have such standing, he must be a man of such good character that when he makes an assertion the court may have implicit confidence in what he says. When you as an accountant appear before the Board of Tax Appeals, your standing, character and word should be such that when you make a statement the Board may accept it implicitly.

The standing of your profession depends upon the weight the Board may be able to give to your sworn statements as an accountant before the Board. You are there not only as a representative of the taxpayer, but you are there as a representative of the Board. It is your duty to be frank with the Board. It is your duty to perform a service and render a service to the Board as well as to your client. It is that relationship, that capacity, that responsibility which is, I will not say new, because you have had that responsibility to some extent, but it has been emphasized and I think it is more apparent than it ever has been before.

The manner of presentation of cases before the Board calls for an

entirely different point of view and an entirely different slant on the cases themselves. You have been accustomed to presenting these matters in a purely *exparte* manner. You have been accustomed to presenting your facts in the shape of *exparte* statements. You have been accustomed to placing before those who were considering your problems conclusions rather than the facts which justify the conclusions. Your conclusions have in many cases been accepted. You are now confronted with a more or less formal procedure where you must present the facts. The members of the Board are there to draw the conclusions, that is not your function. It may be your function to give them the benefit of what your conclusion may be, but it is not your conclusion which is going to be given any weight. Such a record as you must now make calls for an entirely different preparation.

You gentlemen are not lawyers; you are accountants. You have not been in the habit of appearing as advocates, but you now are faced with the necessity of appearing as advocates. I want to emphasize the necessity of thorough preparation in connection with these cases. I want to express the necessity of considering how you are going to get your facts before the Board. It is absolutely necessary that the findings of facts which the Board makes in any of your cases be founded upon legal evidence. The findings of fact are not worth anything unless they are so founded. If the findings of fact are to be founded on legal evidence, you must get into the record evidence which is admissible and which is competent and in order. It is necessary to have some knowledge of how to proceed and how to prepare evidence of what you are trying to show and how you are going to introduce it. I am not going to discuss the methods be-

cause it would take weeks to cover some of those subjects.

I was very much interested in the report made by the chairman of your Committee on Ethics. You are a new profession. You haven't had the opportunity to develop a code such as other professions have had. The legal profession is hundreds of years old. It has developed a code gradually over the centuries.

The code of ethics of the American Bar Association and the codes of ethics of various local bar associations, have been recognized by the courts. The time is coming when your code of ethics, if you adopt such a code as has been suggested here this morning, is going to receive legal recognition. I hope, if you adopt this code of ethics, that you will take steps to see that a proper copy of it is filed with the United States Board of Tax Appeals, and a copy of it placed in the hands of each member. I should like to have you show the members of the Board that you are attempting to live up to the same code of ethics that the legal profession is attempting to live up to in its practice before the Board and before the courts.

It is largely based upon the fact that you gentlemen have been attempting to raise your standards, that you have been attempting to keep your profession clean and place it upon a high standard, that the Board was willing a year ago to recognize you and give you the same recognition that it did to attorneys.

I think it would be of interest to consider some of the practical problems which have arisen in connection with the operation of the affairs of the Board during the last year, particularly with reference to possible amendments to the new revenue act which will undoubtedly be passed during the winter. I do not intend to discuss any questions of policy, but purely matters which relate in a general way to administrative problems.

The Board of Tax Appeals was

created as you will recall, by Section 900 which provides for a Board of as many as twenty-eight members, but only sixteen have been appointed, all of whose terms shall expire on June 2, 1926 and we are very rapidly approaching that date. Thereafter under the present act, the Board is to consist of seven members with overlapping terms, to run from two to ten years.

The salaries of the present members are \$7,500 each per year. Next June we are going to be faced with the situation of having an entirely new Board of Tax Appeals. I venture the prediction that unless the act is changed with reference to terms and possibly salaries, in some way so as to offer some greater inducement, that not more than two or three members of the present Board will accept reappointment. I think it is only necessary to suggest that to you to make you realize the seriousness of the situation.

The Board of Tax Appeals is composed of a wonderful group of men. They have devoted their energies to the Board in a way no one except those who have been present realize. The most burdensome work, the hardest work, the most difficult work, is making the findings of fact and writing the opinions. I know of my own knowledge that at least 60 per cent of the work connected with making the findings of fact and writing the opinions has been done after 6.00 o'clock at night. No body of men ever devoted itself to the service of the government more unreservedly than has the Board of Tax Appeals. Those men have not received the compensation they should receive. Consideration should be given to the lengthening of terms, making a man feel that there is some stability in his position if he is willing to accept it. I don't suppose it would be possible to fix a larger salary than \$10,000.

The purpose of the Congress was very clearly expressed in connection with the organization of the

Board. Its general purpose was to give the Board jurisdiction in all cases where the tax had not been paid and where the cases were still pending at the date of the passage of the act.

As a practical matter, we find that the Board does not have jurisdiction in some cases where the tax had not been paid at the date of the passage of the act. The Board has held that it had not jurisdiction in certain cases. Where the taxpayer has not been able to furnish bond, it has been necessary to deny jurisdiction based upon the strict language of the statute. There are some other cases where the Board has held that it has not jurisdiction. I think that the act should be so amended as to give the Board jurisdiction in all cases where the amount of the tax had not been finally determined at the date of the passage of the act and where the tax had not been paid, without regard to what the technical situation may be as to the case.

It has been suggested that the Board should be given jurisdiction in reference to claims for refund. That is largely a question of policy. Logically there is no reason why the Board should not be given jurisdiction with reference to cases of that kind. My fear is that the Board will be so overwhelmed with work if it is given jurisdiction in claims for refund, that it will not be able to perform the service that it ought to perform and after all there is not the same necessity in cases where the tax has been paid because the taxpayer has his remedy of going into the courts as he had theretofore. It merely gives him another opportunity. He has parted with the money. He has already had the hardship of being forced to raise the money to pay the tax and it has been paid, so there is not the same necessity.

However, logically, there is no reason why the Board should not be given jurisdiction. Very careful consideration should be given to that question because nothing should be done to seriously inter-

fere with the work that the Board is doing in those cases where the tax has not been paid.

There are some 6,000 cases where appeals have been filed. A check was recently made on cases coming in in a representative month and it developed that about 34 per cent of the cases involved less than \$300. About 37 per cent of the total number of cases involved less than \$500 and the others involved amounts running from \$500 to millions. That is a situation which deserves some consideration. How shall those cases be handled? Shall the Board use 35 per cent of its time in disposing of cases involving approximately one-third of the cases and the other two-thirds in disposing of the cases that involve the very large amounts? Shall the jurisdiction of the Board be limited to cases involving sums over \$500 or shall some other method be provided by which those cases may be disposed of?

Personally, I do not believe in limiting the jurisdiction of the Board to any amount. I think in any case the taxpayer desires to take to the Board, even though it involves only \$10, he should be given that privilege. The amount should not control. But I do believe that some provision ought to be made for handling those cases. I think the practical way of handling those cases is to settle them—compromise them in the Bureau itself. That is largely a question of policy.

A very interesting situation has developed with reference to the attitude of the Treasury Department and the Bureau of Internal Revenue in regard to the decisions of the Board. You will recall that during the early months of the Board, the Bureau was very hesitant as to expressing its attitude and its position with reference to specific decisions of the Board. There was a tendency on the part of employees to take the attitude at least, that the Board didn't mean very much in the life of the Bureau and it didn't intend to follow

this decision or that decision; that it was going to decide its cases as it saw fit and follow the precedents that were in existence in the Bureaus. I think, however, that most people have been mistaken as to the attitude of the Bureau. I had occasion to know how the Secretary of the Treasury felt on the subject and I had occasion to know how the Commissioner of Internal Revenue felt on the subject. I know that they felt right from the beginning that the Department should go to the fullest extent possible in following the Board of Tax Appeals. But it took a long time to get that idea across to the employees in the Bureau. But if you have noticed the announcements with reference to the cases in which the Bureau has acquiesced, or has expressed non-acquiescence, you will find that to date they have expressed acquiescence in 174 cases and have expressed non-acquiescence in only 11. You will find, for instance, that in the Atterbury case (some of you may not recall what that case was, but it was the case in which the Board held that a lessee was entitled to take depreciation based on March 1st value of his lease which the Bureau had never recognized) the Bureau had a case in the courts involving that very question. That was an early opinion and it took the Bureau a long time, but the last week the Bureau announced acquiescence in that case.

Many of you know of the controversies in reference to affiliation. That has been a very important controversy, very far-reaching. There have been many personalities connected with it. It has been almost bitter. The Bureau took a very narrow position.

In the Koch case the Board held that control meant actual control and not legal control. Whether there was actual control was to be determined by all the facts and circumstances in the case, and each case should be decided upon the facts in that particular case. In spite of what the Bureau had done, and in spite of the long

standing controversy, the Bureau has announced its acquiescence in nearly all of the Board's opinions on the question of affiliations, and has not announced non-acquiescence in any of one them.

I think that is very, very important and it leads me to a conclusion which I want to point out. It leads me to what I think is one of the most important functions that the Board is performing. The result is that we are stabilizing the precedents; we are setting up a body of precedents that will be recognized by the Bureau. We have had no uniformity in rulings. We have had no stabilization. The rulings of the Board, the work of the Board is resulting in a stabilization of precedents and a uniformity which is very, very much desired.

One of the greatest complaints of taxpayers and one of the things which brought about the creation of the Board was that the Bureau took one position and then another and one could never tell where the Bureau stood.

I want to say just a few more words with reference to your general position before the Board. You gentlemen owe your clients a duty in everything you do in these cases. There is more than the fee involved in a case that you have to consider. You must consider your relations to the Board. You must consider your relations to the client. I mention that again because if you will go through the opinions which have come out during the past year, you will find case after case where the Board has sustained the deficiency found by the Commissioner on the ground that there was no evidence upon which it could take any other position.

Now that is a serious matter. It is something which has a serious bearing upon your standing as a profession before the Board. Not all of these cases are cases in which certified public accountants appeared. Many of them are cases in which lawyers appeared. But merely because there are some delinquent lawyers, such a circumstance does not justify you in con-

tinuing any delinquency of which you may happen to be guilty. You should carefully prepare your case. You should know what your problem is. If it is purely a question of law, you should cooperate with some lawyer. There is not sufficient cooperation between the two professions any way. Cooperation is increasing but there ought to be greater cooperation. No lawyer should appear before the Board of Tax Appeals in a case involving difficult accounting problems without having associated with an accountant. He is not doing justice in the performance of his duties to his client or to the Board if he does not take that action. On the other hand, an accountant should not appear before the Board with a case involving some question of law which requires legal skill, and attempt to present that phase of his case. At least, he should not attempt it without getting legal advice and assistance before he comes before the Board. You are not doing your duty to your client nor to the Board and it is largely because of that situation that many cases have been lost that ought to have been won. The Board has decided cases against taxpayers where it felt that the facts were in existence which would have justified a decision in favor of the taxpayer, and handled by accountants, but cases handled by lawyers.

Those are things which do not need discussion. They are things which need only to be pointed out to you. They merely need to be suggested and I know you will realize the importance of them.

I should like to say a word with reference to the letter that Mr. Korner has written. I talked with Mr. Korner before coming down here and he asked me to personally express to you his regret at not being able to be here. Mr. Korner is one of the ablest members of the Board. He is doing a wonderful work as Chairman. He is very much interested in the problems before the Board and he is very much interested in the

problems that you gentlemen have in your cases before the Board and I know that he was anxious to discuss them with you. I know I can say to you that at any time you are in Washington he will be glad to have you come and see him.

I want to thank you for your attention. If at any time I can be of service to you gentlemen, either individually or as an organization in assisting you in the general problems that you have in your relations with the Board, your professional problems (I mean the problems connected with your profession), I will be more than glad to assist you. I want to again thank you for your attention and if any of you have any questions, I shall be very glad to answer them.

DISCUSSION

Mr. DUNN. I should like to ask Mr. Hamel whether or not the Board has ruled upon the question of payment under protest being equivalent to no payment, or whether if it has not done so, what Mr. Hamel's opinion is as to the propriety of the Board taking that position that payment under protest should be equivalent to no payment in the consideration of whether or not the case may properly come before the Board of Tax Appeals and receive its decision.

Mr. HAMEL. The Board has not ruled specifically on that question. I think it is included, however, in its opinion denying jurisdiction in claims for refund.

You will recall that the Board had one case before it in the case of the Northwestern Mutual Life Insurance Company where, at the time the petition was filed, the tax had not been paid and for some reason or another, after the petition had been filed, the taxpayer paid the tax before hearing and when the hearing day arrived it was discovered and was revealed there by the solicitor that the tax had been paid. The Board held it had no jurisdiction. It was paid under protest so that in effect the Board did in that case hold that payment under protest was imma-

terial, that the thing which deprived the Board of jurisdiction was the fact that the tax had been paid and the only remedy of the taxpayer was claim for refund.

The decision of the Board on that question of whether or not it has jurisdiction in claims for refund is based largely upon the congressional history. When the 1924 Act was under consideration in the Senate an amendment was proposed specifically giving the Board jurisdiction in cases involving claim for refund. That amendment was rejected by the Senate which is a clear indication of congressional intent and it was based largely on that congressional history.

Mr. DUNN. Will you amend your answer by taking into consideration the fact that 1,000,000 taxpayers pay under protest because of the threat of prosecution on the part of the collectors and district attorneys, and give an opinion personally as to whether or not payment under protest should not be held as equivalent to no payment, and if there are precedents in the United States Courts which you know would have any bearing upon the question?

Mr. HAMEL. You will recall that the 1924 Act gives the Courts jurisdiction in cases whether or not payment is made under protest. The first time any of the revenue acts have so provided was the 1924 Act. I think that it is a class of cases that might very well be considered with reference to any proposed amendments to the act as to jurisdiction of the Board. It is largely a question of policy and is bound up with the whole question of how much work the Board can do. The Board is at present composed of about sixteen members. When I was Chairman of the Board I directed that every opinion be considered by the entire Board. You will recall that the act provided that decision of a division shall become the decision of the Board unless within 30 days the chairman directed that it be re-

The Accountant-Lawyer—The Lawyer-Accountant

RECENTLY there was observed near the experimental laboratories of the University of Pittsburgh a small boy playing with a rather odd looking animal, the actions of which did not seem in keeping with accepted custom. Closer observation disclosed that the fore-quarters and head of the animal were those of a cat, while the hind-quarters were those of a rabbit. So long as the boy confined his play to dangling a string to be clawed, the hind-quarters served well to keep the animal poised within striking distance; but when the boy decided to play tag the combination did not serve so well to place the animal at the head of the procession.

In these high pressure days the merit of an idea is usually decided upon the basis of the rapidity of the progress it promises. An idea that has in it the prospect of delay or discord usually has short shrift. Now it hardly seems likely that a rabbit coming to view this oddity would exactly relish the fact that the hind-quarters happened to be rabbit, though a cat might not see anything uncalled for in this arrangement. So it might well be with the accountant-lawyer; there can easily be observed the seed of impeding conflict.

My thought on the subject of the accountant-lawyer is: From the standpoint of education, fine; from the viewpoint of purposes of dual practice, undesirable; from the aspect of comparable codes of ethics, contaminating; and from the watch-tower of general experience, unnecessary.

From an educational standpoint, the mental training incident to a thorough course in law can not be too highly valued. On the other hand, the accounting field has enough of its own perplexities without adding those of the legal field to the accountant's burden. The accountant is usually deemed a sort of walking encyclopedia by

By **ADRIAN F. SANDERBECK, C. P. A.**
Pittsburgh, Pa.

EDITORS NOTE—Your editorial committee, in publishing articles of a nature that may be said to have two sides, is not to be understood as taking sides. The articles are the opinions of the persons who sign them. We welcome further discussion along the lines of this paper and suggest that some of our readers send in their opinions of the proper answers to the questions as to accounting ethics as raised in Mr. Ruslander's article published in our September number.

his clients, and must meet the client in the latter's den, where any propounded questions must be answered forthwith or the accountant's stock takes a drop. Think then of the accountant's plight if he were expected to know the law—other than in a general way—as well.

I feel safe in saying that the majority of certified public accountants practicing at present are not, strictly speaking, college men, though by dint of sacrifice and toil they may have managed to acquire sufficient credits to merit the addition of cabalistic letters after their names. They are mostly men who have had to specialize in their studies and their work, and when their sheepskins are handed them they find on raising their heads to scan the horizon for new fields to conquer that their lack is not that of specialized training in another profession, but rather a broadness of training that can best be obtained by a liberal education or a change in mental diet along the lines of general cultural reading.

It is true that college men are filtering into the profession and that courses of study are being planned to avoid the narrowness referred to, and when the assimilation shows markedly, then the thought of additional specialized education to produce the species will become of general concern.

However attractive and strengthening it might appear to

be to have the training of the accounting and the legal professions under the same skull cap, for purposes of practice of a dual nature, it seems to me most undesirable.

A public accountant of experience can usually give his client a very good working knowledge of the legal phases of problems arising in the course of his practice. But that is not his task; and the average accountant will admit that he refers his client to an attorney for a more technical handling of the problem with no small feeling of relief.

The public accountant, while he does not boast in most cases the wonder-working slide rule of the engineer, is admittedly a more practical man than the lawyer. When the client calls in the public accountant he feels that he is calling in a practical man. How, then, would the client feel if he asked the accountant-lawyer, retained as an accountant, a question and the accountant-lawyer promptly answered, "Yes," then going into his legal complex assumed a learned air and from the haze of it promulgated, "—and no," thus running true to legal form by leaving the client just where he started?

For purposes of practice the added designation of "Attorney at Law" would possibly serve to attract additional clients, particularly from a certain class of people who bend the knee before degrees, medals of distinction and what not. But this class is a small one at best and is frequently so mercenary as to anticipate an appreciable saving through the "two-in-one" service offered. The worst of it is that with them the customary fee of the accountant—not the lawyer—would be uppermost in their minds.

Of course, if the public could be educated to the point where it would countenance the thought of an accountant-lawyer charging on

the lawyer's fee basis, if there is such a thing (methinks that too often it is like his code of ethics), then there would be a point in favor of the dual practice.

For the accountant to make too great pretensions as to his knowledge of law might prove more of a handicap than a help from a fee viewpoint. I know a man who sells income tax service but who is outspoken in his admission that he is not an income tax expert. Sad experience has taught him that he can not afford to spend his time advising prospects as to their tax affairs when all he receives for his pains is a sum total of commissions sadly diminished by the reduced number of calls he can make.

No man can serve two masters. I like the way Mr. Ruslander has set forth his thought that the short span of the practitioner's life will not admit of his earning sufficient distinction in both professions to enable him through a dual practice to build up a clientele that will spell material prosperity.

The problem of serving two masters who have, according to Mr. Ruslander, different codes of ethics, or, as less kindly inferred, no standard code on the one hand and a very righteous code on the other, would not assume insurmountable proportions. The difficulty, or rather the danger, that I would present in this connection would be that of contamination to the very high standards that are those of the certified public accountant.

The codes of ethics are only strictly observed by the better class in either profession, but the legal profession has gone so far in its observance of technicalities that the god who presides over its vaunted code of ethics must be as blind as the goddess of justice whose purposes the laws it assumes to interpret and supposed to serve. The public accounting profession is newer than the legal profession, and for some time to come may be expected to steer clear of the recourse to technicalities that

has tended to make of the legal practice a mercenary thing.

It is not quite fair to cast up to the public accountant the very difficult problem of the "short certificate" wherein he is deprived by reason of its brevity of his ability to qualify his certificate. But the public can rest assured that even a "short certificate" will state with explicit baldness just what it pretends to cover, and that it will be made to include, regardless of the desire for brevity, qualifications as to any grave inherent defects in the status of the company whose balance sheet is being presented. The accountant does have a recourse in this matter, namely, that of declining to grant a short certificate, and the protection of the public comes, just as in the case of the legal profession, in the reputation and the standing of the accountant who signs the certificate.

I do not see the force of the argument advanced in support of the statement that the public accounting profession does not have a standard code of ethics, as represented in the unanswered questions in connection with specific hypothetical examples. It would be more to the point, provided a favorable answer could be predicted, to state just what the position of the lawyer would be in the same situations.

For instance, in the cited hypothetical case where the accountant practitioner before the United States Board of Tax Appeals discovers just before the hearing that witness "Z" upon whose testimony he had depended in some measure to secure a favorable decision for his client, would, when questioned in the hearing, have to make admissions detrimental to the practitioner's case. What would the accountant-lawyer do? Probably just what the lawyer-accountant would do: Our friend "Z" would be enroute away from there even before the echo of his fateful words had died in the dual practitioner's ears; the U. S. B. of T. A. would not meet up with him at all; and

the ethics of the legal profession—if current practice be any criterion—would not be one whit shocked. In fact, disappearing and reappearing witnesses these days are a very common thing. I realize, of course, that this admission does not aid my statement as to the high ideals and ethics of the public accountant, but neither does it warrant any airs and graces on the part of the lawyer. Furthermore, when an accountant appears before a board in the role of petitioner for a client, he forsakes in large measure his claim as an impartial reporter of facts.

The public accounting field is like a rising tide. New ambitious blood is flowing into it, the established firms have taught high ideals of service and a staunch code of ethics. The schools of higher learning are furthering the good work. The movement is, and should be, toward specialization rather than toward hyphenation. From the watch tower of general experience it can be seen that there is much that is as yet undone in a strictly accounting territory, and, therefore, to my mind, the time for combining in dual practice is not yet come.

Being one of the younger group of public accountants, the question of the advisability of securing legal training is still a live one with me, though it conflicts with the thought of specializing in a strictly accounting field in that it would materially delay such specialization. I think highly of the educational value of legal training; I feel that a dual practice would result in a loss of the ultimate realization of service to be gained by specialization; I fear the merging of the several codes of ethics with a reversion to technicalities as a substitute for straight thinking; and I see an ever widening field for the best efforts of the public accountant both in general practice and in specialization for some time to come, without the necessity for resorting to any attempt to combine in active practice the accounting and legal professions.

The Cost Accounting Movement in Chamber of Commerce and Trade Association

A FEW WEEKS ago I had the pleasure of showing the facilities in our new building at Washington to a substantial business man from the central west. He had come to Washington to conduct some business with one of the Government departments, and after lunch, accompanied by one of the bureau heads of the Department of Commerce, strolled into our new building. I had taken him through some of our offices, had shown him the location of some of our representative departments, such as the Research, the Foreign Commerce, the Insurance and others, when he remarked: "My, but you Government people certainly do go into a variety of matters of interest to the business man." I would have been floored by his very evident lack of knowledge of the Chamber of Commerce of the United States if I had not previously had so many otherwise well informed people quite hazy over our functions and activities.

Of course, I am aware that the American Society of Certified Public Accountants has no misconception of the Chamber, for it has been a constituent member for several years, and we have had the cooperation and active interest of many certified public accountants in various phases of the work that we are doing. Mr. Frank Wilbur Main, for example, has been a member of the Advisory Committee of the Department of Manufacture and has given lavishly of his time and attention to the problems confronting this department. Mr. Arthur Andersen, of Chicago, similarly has been a member of the Advisory Committee of the Finance Department, of whose work I shall have more to say later. Your Treasurer, Mr. Rossetter, of Chicago, has been very active in Chamber of Commerce work.

[Substance of Remarks of T. W. Howard, Department of Manufacture, Chamber of Commerce of the United States, at the Annual Convention of the American Society of Certified Public Accountants, Hotel Jefferson, Richmond, Virginia, September 11, 1925.]

These are but three of the many certified public accountants who are in contact with and taking part in the projects in which the Chamber is interested.

Although I am confident that no one in this convention has any misconception about the Chamber of Commerce of the United States, in these busy days we do not have the opportunity of keeping in as close touch as we would like with many national and civic movements of importance. For this reason, and also to serve as a background for my remarks directed specifically to the subject which I have chosen, I wish to refer briefly to the Chamber, its organization and broad activities.

Thirteen years ago at Washington, at the suggestion of President Taft, the Chamber was formed to consider subjects "national in character, timely in importance and general in application to business and industry." The membership of the Chamber is in three classes, Organization, Associate and Individual. The Organization Members are Trade Associations and local Chambers of Commerce. Your Society is an Organization Member and so, for example, is the Richmond Chamber of Commerce. Business houses and individuals comprise the Associate and Individual Members. Through its membership the Chamber reaches business men in every community and in every line.

Subjects national in character, timely in importance and general in application to business and in-

dustry are considered in the annual conventions of the Chamber and through its referenda. A referendum is a proposition submitted to the constituent members for approval or rejection. The first referendum taken by the Chamber was on the subject of the National Budget, a matter still timely in importance and of great interest to the certified public accountant. The two most recent referenda likewise are of no less importance to the accountant. Referendum No. 45 pertains to the Powers of National Banks, and Referendum No. 46 is devoted to the subject of Inheritance Taxes. These referenda were put forward by the Advisory Committee for the Finance Department of which, as stated, Mr. Arthur Andersen, of Chicago, is a member.

I think you will be interested in the character of questions considered in a referendum. In the case of No. 45, entitled "Powers of National Banks," the questions asked were:

I. The Committee recommends that a national bank should be permitted, under regulation of the Comptroller of the Currency, to have branches within its own city if a State bank in the same city is permitted to have branches.

II. The Committee recommends that national banks should be given indeterminate charters, subject to forfeiture for cause and termination at the will of Congress.

III. The Committee recommends that national banks should be authorized to deal in investment securities on a basis not inconsistent with the generally recognized principles of sound banking practice.

IV. The Committee recommends that national banks should be authorized to make mortgage loans on city real estate for periods not in excess of five years.

Again, in the case of Referendum No. 46, entitled "Inheritance Taxes" and "Coordination of National and State Taxation," there were but three questions, which were as follows:

I. The Committee recommends that the Federal Government should always refrain from imposing estate or inheritance taxes.

II. The Committee recommends that the estate tax now levied by the Federal Government should be repealed.

III. The Committee recommends that there should be an organization of representatives of the States and of the Federal Government to coordinate National and State systems of taxation.

As I have stated, referenda such as these are submitted to the organization members for consideration and for the registering of their vote.

In the case of Referendum No. 46, on "Inheritance Taxes," 720 organizations out of a total of 1,367 in the membership voted on the propositions submitted. While the vote thus secured was truly representative, there were many which failed to record their votes and it is of the utmost importance that the constituent members of the Chamber take part in these referenda. As you may well imagine, the National Chamber submits the results of its referenda to members of Congress for their information and the position that the Chamber may take on a subject is greatly strengthened when it can be seen that an overwhelming number of the members have registered their opinions.

In regard to the consideration of these matters by the constituent members of the Chamber, it is a source of gratification to us that in nearly all cases there is an intelligent handling of the subject. Taking again the Inheritance Tax Referendum as an illustration, we find that out of 524 organizations advising us as to their methods of handling the referendum, 288 took

action after consultation with the members.

There is, therefore, an opportunity for the certified public accountant to render a distinguished service through his local Chamber of Commerce by offering his services in connection with the study of the problems presented to referendum. In many of them, notably, for example, the two I have just mentioned, the accountant is in a particularly favorable position to pass upon the questions, with intelligence.

I urge that your Society as an organization member of the Chamber take an active interest in the referenda and by its vote stand with the other organization members as in favor or opposed to the proposals advanced. In making these suggestions I am thoroughly aware that public accountants have made many noteworthy contributions to the work of local Chambers of Commerce, but I think they can do even more and more members of the profession can engage in such activities.

Turning from a consideration of the referenda of the National Chamber, I wish to speak briefly of its service functions and the provision of a number of departments giving attention to various phases of business activities. I have already mentioned a few of them. Others are, the Domestic Distribution Department, the Civic Development Department, the Transportation and Communication Department, the Natural Resources Department and the Agricultural Service. These several departments act as clearing houses of information and as representatives of the Board of Directors in the making of studies on subjects coming within their purview.

The Department of Manufacture, for example, devotes its attention to the problems of manufacturing. Ever since its organization five years ago, under the direction of its Manager, Mr. McCullough, who has addressed the Society at a previous meeting, the

department has been developing its service on a few subjects of continuing importance, as well as studying and assisting in the solution of problems of special character. Cost Accounting, Simplification, Standards of Quality, Trade Association Statistics, and Industrial Relations are a few of the subjects to which we are constantly giving attention.

By simplification is meant the elimination of unnecessary varieties of products within a given line. It is one of the most important phases of the campaign for the elimination of waste launched by Mr. Herbert Hoover, Secretary of Commerce.

Much has been accomplished; in fact the results in numerous industries have been spectacular. Many of you, doubtless have heard of the reduction in the varieties of paving brick from 66 to 5. In the case of milk bottles the reduction has been from 49 to 9; in wire fencing from 552 to 69. Now a single milk bottle cap is all that is necessary while previously 29 were required. Now but 138 standard packages of wire fencing are provided while before simplification if a dealer had but one package of each kind of wire he would have 2,072 packages in his store.

In the field of standards of quality a number of industries have made noteworthy accomplishments. For example in the malleable castings industry, test bars are submitted daily by each member to an engineer of the association for determination of tensile strength, elongation and other physical properties. Association inspectors frequently call unannounced at members plants and make check tests quarterly. Certificates of quality are issued to those members whose products comply with the specifications. Moreover the Association voluntarily has increased the requirements beyond those established by the American Society for Testing Materials. For example, the tensile strength requirement has been increased from 38,000

pounds per square inch to 50,000 pounds and elongation requirement from 5 per cent in two inches to 10 per cent.

I now turn to cost accounting, and on that subject desire to inform you in more detail. Our activities in cost accounting are altogether educational in character. We aim in no way to injure or decrease the business of the qualified accountant but, on the other hand, we believe that our efforts are creating a desire for more and better accounting and that the professional accountant will be the gainer.

Our activities may be divided into three groups, namely, (1) Activities of a general educational character; (2) Cooperation and service to trade associations in the development of uniform cost accounting; (3) Information and assistance to local Chambers of Commerce which desire to establish accountants groups. I will refer to these three in order.

There has been an awakening on the part of the American manufacturer to the need for real cost accounting. This appreciation, slow at first to be aroused, is now getting to be widespread, but with this growing appreciation there remains a very great lack of knowledge of the means by which to make effective use of cost accounting. We endeavor to assist the manufacturers of the country with this problem. During the five years in which we have been engaged in the work we have prepared a number of pamphlets, each dealing with a specific subject. A subject such as depreciation, for example, is treated in a semi-technical manner. The material is designed as information for the executive primarily, although his accountant will get much from it. Other subjects treated have been overhead expenses, perpetual inventories and budgeting.

During the past few months we have been conducting a rather extensive study into cost accounting

through the use of standards, that is, by pre-determined costs or premature costs, as one executive characterizes them.

There is a surprising amount of interest in this subject. In response to a bulletin we sent out we had voluntary requests from more than four hundred executives and industrial accountants in which we were advised that they desired enlightenment on the subject. As a matter of fact, the business literature of the country has contained many articles devoted to standard costs and the subject has been considered time and again at meetings of accountants, yet there seems to persist a lack of exact information on the fundamentals of cost accounting by this method.

Accordingly, it has been our purpose, to prepare a pamphlet on the subject which clarifies the points on which there is confusion of thought. The first edition of this pamphlet has been distributed to a limited number and we are now engaged in its enlargement so that it will contain as much of the information as possible which seems to be desired by the executive.

We invite the cooperation of certified public accountants in this educational work and we shall be glad at any time to supply copies of our pamphlets to members of the Society.

Turning now to cost accounting through trade associations, I wish to dwell on this subject a little because, in our opinion, it is of very great importance. In the past the manufacturing company that decided to develop a cost accounting system secured its information as to methods from every possible source. Its executives and accountants, if say it were engaged in the leather industry, might consult with others similarly placed in the machine tool business for experience on the accounting for raw materials. The biscuit and cracker maker might obtain his information on the subject of distribution of overhead from the foundryman. In other words, it was a case of

obtaining the best information possible whether or not the experience was that of a company in a similar line of business. Now, while it is true that there is a vast field in which conventional accounting practice represents the best practice it is likewise true that there are numerous intricate and troublesome problems that are peculiar to individual lines of industry. The solution of these problems may be accomplished only through cooperative study by the members of those industries. For example, the leather accountants for several years have been struggling with some interesting problems in that field. A tanner buys raw hides, processes them and from them obtains different quantities of different grades of leather. Some of these grades may bring high prices, other grades as low or lower prices per pound than the cost of the raw hides. How shall he apportion to these grades the original raw hide cost?

The biscuit and cracker maker struggles with another type of problem. He finds it impracticable to collect costs on the job order basis, and that industry has developed a unique plan of standard costs which, it is our understanding, is in highly satisfactory use in many plants of members of the biscuit and cracker cost group.

So the uniform cost accounting movement is one of great significance and importance, and while a great deal of progress has been made in the last decade, it is no rash prophesy to say that progress many times greater will be recorded in the next decade.

We are acting as a clearing house and as advisors to many trade groups in connection with their activities. We have found through a close study of the activities in some two hundred industries that there is after all a distinct technique for the carrying on of trade association activities in cost accounting. In the past many different methods have been tried which I shall not take the time to

describe. Rather I would like to refer rather briefly to the method which to-day appears to be the most satisfactory and sound. This experience has shown that the problem of securing the development and use of uniform cost accounting in an industry is in two parts: There is the educational element and the technical element. The two are interwoven and merge into one.

By way of illustration, I would cite the statement of a thoughtful trade association executive who, in referring to the problem in his own line, made the remark: "I can get a professional accountant who can devise a satisfactory system of accounting for my line in two weeks but I can not get the members of my industry to use it in two years."

In his industry it may be possible to encompass the technical area in such a short time but in the case of most lines that would not be possible. Furthermore, where the accounting problems are complex, it follows that securing the utilization of the uniform accounting procedure by the industry will require a correspondingly longer period.

The solution of the problem then comes through arousing the interest of the accountants of the industry itself, and through a committee of these accountants, assisted frequently by outside professional accountants, the problem is attacked. The uniform procedure is developed slowly; in fact, that is an advantage, for upon its completion it will be found that the members of the committee have adapted their own cost accounting to coincide with the recommended procedure and a nucleus of concerns in the industry will be operating under the uniform procedure. Others will fall into line and the whole movement will go forward surely, though slowly, to the desired end.

It may not be amiss to refer to an occasional lack of cooperation between committees of industrial

accountants and the profession which you represent. Without attempting in any way to discuss any of these instances or to attach blame, it is evident that the movement for uniform cost accounting requires cooperation on the part of everyone concerned, and any tendency on the part of industrial accountants to think that all professional accountants are theoretical, or any tendency on the part of professional accountants to look upon the efforts of the cost accounting committee as unsatisfactory and futile is a mistake. Let me assure you that the carrying on of the study of cost accounting by a committee of industrial accountants, in my opinion operates in no way to the detriment of the public accountants but rather to their advantage. I know that many of you

confine your professional practice largely to audits and examinations and you are benefitted in your work by the use of better accounting methods by your clients. Some of you, I know, assist your clients in the development and perfection of their systems and to this class of practitioners I would say that there is as much business to be had in the long run when uniform cost accounting for an industry is worked out by its committee as where you attempt by single-handed methods to develop it yourselves.

The third field of activity, and the one in which I believe you should also be greatly interested, is that pertaining to cost accounting in local Chambers of Commerce. We have found that under

(Continued on page 141.)

REPORT OF EDITORIAL COMMITTEE

FRANK WILBUR MAIN, CHAIRMAN

Presented at Richmond, Va., September 11, 1925

THE Editorial Committee, whose report you are now listening to, has been known under more different names than it has members. On to-day's program it is listed as the "Committee on Publication." What success if any this committee may claim is not, however, dependent upon the name by which it is known. While a measure of its success or lack of success is dependent upon the amount of hard work performed by the committee, in a very true sense this also has comparatively little to do with its accomplishments.

The Editorial Committee should be interpreter of the purposes and ideals which brought into being the American Society of Certified Public Accountants, and a prophet as to the future. To the extent that it correctly enunciates, fosters and promotes these purposes and ideals, it succeeds.

With all due respect to the magazine which this committee is responsible for, namely, THE CERTIFIED PUBLIC ACCOUNTANT,

it realizes that our news stands contain many that are much better edited as to material content, also more attractive as to appearance. While the committee trusts that the literary content of our magazine may constantly improve, it has never felt any particular urge or responsibility to add, at this time, in any large and exceptional way, to the accounting literature of this country. With the number of large publishing houses constantly publishing texts and with several hundred accounting instructors, assistant professors and full professors devoting their time to accountancy instruction, and a certain amount of their spare time to accountancy literature, to say nothing of the thousands of practitioners, it has realized that with its limited and meager financial facilities it can not attempt to compete in any large way in the establishment of accounting literature.

As already stated, however, the committee does have a very real and a very definite object in view.

THE CERTIFIED PUBLIC ACCOUNTANT is not the creator of the ideals and purposes which brought into being the American Society, but is a servant to them. In organization work it often happens that the officers become more important than the organization and it is not unusual for an official organ to assume an importance that it does not have. As a deterrent to these tendencies, the founders of the American Society were very wise in providing not only a democratic form of organization, but in making provision for universal suffrage through mail ballots. The method of organization, the purposes and the ideals of the American Society from the beginning have been clear-cut and disinterested and have been based upon the fundamental principle that it is to some extent at least the purpose and object of a profession to give rather than to receive, and to serve rather than to be served.

This fundamental conception explains the policy of free distribution of the magazine, which has existed from the beginning. From the very first year, the officers have been criticized for this free distribution to every certified public accountant in the United States. The argument has been advanced many times that by so doing we have limited our membership because there is no financial reason why any certified public accountant should join the American Society when he knows he will receive THE CERTIFIED PUBLIC ACCOUNTANT and the benefit of all the efforts of all of the officers whether he joins or not. There is much truth to this argument if the prime object of a profession and the purpose of an organization is solely to promote the selfish interests of its members.

This has not, however, been the conception of the leaders of our Society. We have endeavored to gather to us not those who are seeking something from us, but rather those who desire to join

with us in serving our own profession and in addition thereto the business and civic interests of our country.

During the past year, the committee has continued the regular departments of the magazine, namely:

Editorials.

General articles along business and civic lines by certified public accountants and others.

Technical articles by certified public accountants.

Legislative news and acts proposed and passed as affecting the accounting profession in the various States.

Reports of the annual meeting and directors' meeting, etc.

State Society News.

State Board announcements, including lists, from time to time, of successful candidates.

Personal announcements.

Obituaries.

Lists of members.

Timely quotations from the past and present.

During the past year, the magazine has adopted the policy of publishing each month the examination questions of one of the States. It has also been publishing, from time to time, solutions to various problems. These two departments have been added very largely for the benefit of the subscribers who are not yet, but hope soon to be, certified public accountants. Due to the efforts of Secretary W. L. Harrison and Business Manager F. S. Chappell, the number of paid subscribers has been increased very largely during the past year, the same now being 1,400. As time goes on, the number of subscribers is certain to increase, as our magazine is of very real value not only to the members of the various accounting staffs of the country who are not certified public accountants, but to bookkeepers and accountants generally.

The magazine has continued to be published with very little cost to the American Society. The only

employee engaged primarily for the magazine is our Business Manager, and he, through the obtaining of new subscriptions, is able to largely carry himself. The Editor, our very worthy Secretary, serves without any additional remuneration. In fact, the only other cost incurred is the actual amount paid the printing company during the past year, namely, \$6,900, plus the postage, cost of distribution, and other incidental costs. This has also been reduced through the income from advertisements. We question very much whether any other organization has been able to distribute so much for so little.

The magazine is still sent to the following groups:

All members of the American Society; this is in excess of 2,000.

All non-member certified public accountants for whom we have addresses, over 5,000.

All members of the American Association of University Instructors in Accounting who are not certified public accountants, approximately 200.

All trade associations and Chamber of Commerce secretaries in cities where the American Society has members, also all executive officers of State Chambers and the United States Chamber, approximately 400.

All heads of the Income Tax Unit and all members of the United States Board of Tax Appeals, approximately 150.

All libraries of universities, schools of commerce and business administration, approximately 300.

Miscellaneous lists including subscribers and others not contained in the above classes, approximately 1,500.

It is the hope of your Editorial Committee that the finances of the American Society may in the future permit the inclusion of several additional groups, such as editors of all of our leading newspapers and magazines.

We believe that in the short space of less than four years we have acquainted not only the cer-

tified public accountants of the country, but large groups of the educational, civic and business leaders with the American Society of Certified Public Accountants and its ideals and purposes.

In conclusion, the committee desires to state that they appreciate even more than do the members of the American Society, the limitations and shortcomings of our magazine. They are always glad to receive letters of criticism, constructive or otherwise.

The Editorial Committee has no desire to publish either editorials or articles that all will agree and subscribe to. The committee realizes that to the extent that it can create discussion and through discussion thought, to that extent it is accomplishing its purpose.

Having finished the report proper, I should like to say a few words with respect to one of the recommendations contained in the most excellent report of the president which was given yesterday.

I agreed with practically everything our president said with the exception of one or two of his recommendations. He recommended that the distribution of the magazine to non-member certified public accountants be discontinued. The Editorial Committee is not in favor of this suggestion. We do appreciate the fact that by so doing we could save, as you say, perhaps \$1500 in printing. We could save an additional amount in postage and we could perhaps save a total of \$5,000 a year. But I do not believe that financial considerations alone should govern.

I have just three thoughts in the matter. The first thought is as to our responsibility. We have passed through four very critical years and the next two years will be equally critical. During the past six years, six regulatory bills have been passed. Certain states have had to contend, as California has, with unfavorable proposed legislation. Many bills are going to be introduced in the various states during the next two years, some

helpful and some otherwise. Our constituents are not simply our members. Our constituents are all of the certified public accountants in the business and civic interests of the country as well, and I believe that if for no other reason than keeping the certified public accountants of the country advised as to what is being done and proposed in a legislative way, that we ought to continue sending them the magazine because we will need the support and good will not only of our members, but of all certified public accountants.

My second thought is along the line of consistency. You did make one recommendation which I thought very excellent. That was that we should engage a publicity man who should go up and down addressing various conventions and associations, educating the public and probably the business and civic interests particularly. This is excellent but I think that we also ought to continue to educate our own members and it hardly seems consistent for us on one hand to increase our publicity along helpful lines, and on the other hand to eliminate the most economical publicity and least costly publicity we can possibly have.

My third thought can be expressed in the proverb which runs something like this:

"There is a withholding that tendeth to poverty.

There is a spreading abroad that tendeth to increase."

To illustrate what I have in mind, attention was called yesterday to the fact that three years ago we had five hundred members. That was the time when our magazine was changed to its present form. If at that time we had followed the suggestion which was sincerely and honestly made and we had sent the magazine only to those who belonged to the society, does any one believe that within the period of three years our retiring president would be talking about a budget of \$56,000 for next year? If two years ago when we had eight

hundred members we had listened to the requests which were becoming louder, that we send the magazine only to these eight hundred, would it have been possible for us to have had this exceptional and remarkable convention in Richmond? And if one year ago when we had 1,100 members, we had limited the magazine to only those 1,100 members, would it have been possible for our good and efficient president to have added 1,000 new members during the past year? Has not the seed that has been sown through the "Certified Public Accountant" been partly responsible for the fruit which we have been gathering?

Four years ago the American Society started with a subscription, I believe of \$200 by the Michigan Association of Accountants. We started from scratch. For our fifth year as already stated, we are proposing a budget of \$56,000. Certainly the policies upon which the society has been built must have been fairly sound and fairly reasonable.

As individual accountants, I think we are hesitant to advise our clients to change policies that have been broad and big and successful, and as Chairman of the Editorial Committee, I feel it is my place to advise this society to go a little slow in changing a policy that at least has done something to bring about our success.

In conclusion I simply want to say that I have great confidence in the underlying honesty and spirit of fair play which exists. I believe in every certified public accountant and I believe that if we continue to uphold the ideals, that the certified public accountants of the country will continue to come and join with us in this matter.

PRESIDENT PRIDE: I think we all agree that an honest difference of opinion in regard to matters is what we welcome. What I had to say in my report in regard to "The Certified Public Accountant" was put there to show the incoming directors my feelings on the matter.



1. Homer A. Dunn, C. P. A., 35 W. Sixty-fourth Street, New York City.
2. T. Coleman Andrews, C. P. A., American National Bank Bldg., Richmond, Va.
3. A. M. Pullen, C. P. A., 1103 State and City Bank Bldg., Richmond, Va.
4. D. W. Springer, C. P. A., Ann Arbor, Mich.
5. A. C. Upleger, C. P. A., Waco, Tex.
6. Henry J. Miller, C. P. A., Canal-Commercial Bldg., New Orleans, La.
7. E. G. Shorrock, C. P. A., 625 Central Bldg., Seattle, Wash.
8. W. L. Harrison, C. P. A., 736 Woodward Bldg., Washington, D. C.
9. Edwin L. Pride, C. P. A., 40 Central Street, Boston, Mass.
10. R. J. Walker, G. P. A., 405 Dickson Bldg., Norfolk, Va.
11. Frank Wilbur Main, C. P. A., Farmers Bank Bldg., Pittsburgh, Pa.
12. Alexander S. Banks, C. P. A., 7 Dey Street, New York City.
13. Mrs. Alexander S. Banks, New York City.
14. Harry B. Scott, C. P. A., Oliver Bldg., Pittsburgh, Pa.
15. Mrs. W. W. Colledge, Pittsburgh, Pa.
16. W. W. Colledge, C. P. A., 725 Farmers Bank Bldg., Pittsburgh, Pa.
17. J. B. Tanner, C. P. A., 2626 S. Michigan Avenue, Chicago, Ill.
18. Dr. H. V. Tanner, Spartanburg, S. C.
19. Miss Mary Foster, Cleveland, Ohio.
20. Hugh L. Dickerson, C. P. A., State and City Bank Bldg., Richmond, Va.
21. W. A. Searson, Spartanburg, S. C.
22. J. A. Rennie, C. P. A., Box 746, Richmond, Va.
23. Victor Markwalter, C. P. A., 911 Marion Bldg., Augusta, Ga.

24. C. R. Dawson, C. P. A., 801-3 McGlawn-Bowen Bldg., Atlanta, Ga.
25. C. W. Saussy, C. P. A., P. O. Box 393, Savannah, Ga.
26. Frank G. DuBois, C. P. A., 1009-10 Kinney Bldg., Newark, N. J.
27. Walter Charnley, C. P. A., 408 Kingston Avenue, Charlotte, N. C.
28. Harold B. Barnett, C. P. A., 42 Broadway, New York City.
29. Mrs. Harold B. Barnett, New York City.
30. Okey K. Hayslip, C. P. A., P. O. Box 642, Huntington, W. Va.
31. Mrs. W. L. Harrison, Washington, D. C.
32. Miss Bessie Arliss, Washington, D. C.
33. Miss Carolyn Lille, Washington, D. C.
34. Mrs. F. P. Stratford, Richmond, Va.
35. C. S. Goldston, C. P. A., care of A. M. Pullen & Co., Richmond, Va.
36. W. A. Mudd, care of A. M. Pullen & Co., Richmond, Va.
37. Mrs. C. S. Goldston, Richmond, Va.
38. F. P. Stratford, C. P. A., P. O. Box 1716, Richmond, Va.
39. Mrs. G. M. Scott, Richmond, Va.
40. G. M. Scott, C. P. A., care of A. M. Pullen & Co., Richmond, Va.
41. Mrs. John J. Sellers, Jr., Richmond, Va.
42. John J. Sellers, Jr., C. P. A., 2622 Grayland Avenue, Richmond, Va.
43. E. Mason Blaylock, C. P. A., Shane Bldg., Idaho Falls, Idaho.
44. Mrs. J. R. Foster, Cleveland, Ohio.
45. J. R. Foster, C. P. A., 522 Rockefeller Bldg., Cleveland, Ohio.
46. Ormsby P. Bourke, C. P. A., Liberty Bldg., Columbia, S. C.
47. Louis A. Searson, C. P. A., Liberty Bldg., Columbia, S. C.

48. A. C. Clarkson, C. P. A., Loan and Exchange Bldg., Columbia, S. C.
49. M. M. Morgan, C. P. A., 2400 Liberty Street, Winston-Salem, N. C.
50. Harry Powell, Richmond, Va.
51. D. N. Burnham, C. P. A., 1300 Farragut Street N. W., Washington, D. C.
52. Mrs. Edwin L. Pride, Boston, Mass.
53. E. Ober Pride, Boston, Mass.
54. Mrs. Philip G. Ward, Cleveland, Ohio.
55. David A. Jayne, C. P. A., Charleston, W. Va.
56. Philip G. Ward, C. P. A., 315 Hanna Bldg., Cleveland, Ohio.
57. F. R. Clute, C. P. A., 2908 Albemarle Street N. W., Washington, D. C.
58. L. C. Nielsen, C. P. A., 708 Post Bldg., Battle Creek, Mich.
59. Mrs. L. C. Nielsen, Battle Creek, Mich.
60. L. D. Baggs, Jr., C. P. A., 801 McGlawn Bowen Bldg., Atlanta, Ga.
61. James B. Grice, C. P. A., Munsey Bldg., Washington, D. C.
62. Martin Kortjohn, C. P. A., 15 Park Row New York City.
63. Mrs. Martin Kortjohn, New York City.
64. Mrs. Charles B. Flow, Richmond, Va.
65. Charles B. Flow, Richmond, Va.
66. H. R. Humphries, Richmond, Va.
67. Mrs. S. S. Lawrence, Richmond, Va.
68. S. S. Lawrence, Richmond, Va.
69. W. J. L. Patton, C. P. A., 2604 Monumen Avenue, Richmond, Va.
70. A. T. Hull, C. P. A., Glade Spring, Va.
71. Edwin E. Jones, C. P. A., Bureau Bldg., Rockford, Ill.
72. Gardner W. Kimball, C. P. A., Real Estate Trust Bldg., Philadelphia, Pa.

73. William R. Main, C. P. A., Packard Bldg., Philadelphia, Pa.
74. John M. Palm, C. P. A., Woodside Bldg., Greenville, S. C.
75. George E. Perrin, C. P. A., 16 S. Seventh Street, Richmond, Va.
76. M. A. Martin, C. P. A., 619 District National Bank Bldg., Washington, D. C.
77. J. A. Leach, Jr., C. P. A., 3120 Kensington Avenue, Richmond, Va.
78. S. A. Blustein, C. P. A., 310 Kanawha National Bldg., Charleston, W. Va.
79. Jesse L. Cramer, C. P. A., Citizens Bank Bldg., Parkersburg, W. Va.
80. Mrs. Jesse L. Cramer, Parkersburg, W. Va.
81. C. H. Reimerth, C. P. A., 401 O. S. Bldg., Casper, Wyo.
82. Carl E. Dietze, C. P. A., 209 Grand Avenue, Milwaukee, Wis.
83. A. H. Hammarstrom, C. P. A., 208 Weston Bldg., Clinton, Iowa.
84. James A. Councilor, C. P. A., 426 Woodward Bldg., Washington, D. C.
85. John E. Cole, C. P. A., 16 William Street, New York City.
86. Mrs. George E. Perrin, Richmond, Va.
87. Mrs. A. M. Pullen, Richmond, Va.
88. Mrs. H. L. Cupp, Richmond, Va.
89. Elmer L. Hatter, C. P. A., Citizens National Bank Bldg., Baltimore, Md.
90. Frederick Moore, C. P. A., 10 Vail Avenue, Charlotte, N. C.
91. A. P. Stewart, Richmond, Va.
92. George G. Scott, C. P. A., P. O. Box 596, Charlotte, N. C.
93. J. R. Little, C. P. A., 820 Southern Bldg., Washington, D. C.
94. Mrs. Gardner W. Kimball, Philadelphia, Pa.

95. A. Lee Rawlings, C. P. A., 407-12 Law Bldg., Norfolk, Va.
96. Edward S. Elliott, C. P. A., 816 Bank of Commerce and Trust Bldg., Memphis, Tenn.
97. J. B. Redford, C. P. A., 523 W. Thirty-eighth Street, Norfolk, Va.
98. Mrs. Edward S. Elliott, Memphis, Tenn.
99. Robert W. Black, C. P. A., 905 Garrett Bldg., Baltimore, Md.
100. W. A. Evans, Richmond, Va.
101. George E. Wood, Charlotte, N. C.
102. A. M. Toler, Richmond, Va.
103. Mrs. A. M. Toler, Richmond, Va.
104. D. H. McCollough, C. P. A., Johnston Bldg., Charlotte, N. C.
105. J. A. D. Parrish, C. P. A., National Bank of Commerce Bldg., Norfolk, Va.
106. James M. Culbreth, C. P. A., American National Bank Bldg., Richmond, Va.
107. W. L. Stagg, Jr., care of A. M. Pullen & Co., Richmond, Va.
108. Mrs. W. L. Elkins, Richmond, Va.
109. W. L. Elkins, C. P. A., State and City Bank Bldg., Richmond, Va.
110. J. Milton Baker, C. P. A., 230 York Street, Burlington, N. J.
111. H. S. Roberts, Washington, D. C.
112. Mrs. H. S. Roberts, Washington, D. C.
113. Mrs. F. S. Chappell, Washington, D. C.
114. F. S. Chappell, C. P. A., 736 Woodward Bldg., Washington, D. C.
115. Mrs. C. M. Stoy, Washington, D. C.
116. Mrs. James M. McConahey, Seattle, Wash.
117. Clifford M. Stoy, C. P. A., 510 Evans Bldg., Washington, D. C.
118. Mrs. Howard E. Jackson, Richmond, Va.
119. James M. McConahey, C. P. A., 1049 Henry Bldg., Seattle, Wash.

120. Howard E. Jackson, C. P. A., care of A. M. Pullen & Co., Richmond, Va.
121. Mrs. Gilbert S. Gilbertson, Fort Smith, Ark.
122. Gilbert S. Gilbertson, C. P. A., First National Bank Bldg., Fort Smith, Ark.
123. J. M. Cumming, C. P. A., Fulton Bldg., Pittsburgh, Pa.
124. Mrs. Thomas H. Evans, Detroit, Mich.
125. Mrs. J. M. Cumming, Pittsburgh, Pa.
126. Thomas H. Evans, C. P. A., Dime Bank Bldg., Detroit, Mich.
127. Mrs. Frederic A. Tilton, Detroit, Mich.
128. William McK. Evans, C. P. A., Times Dispatch Bldg., Richmond, Va.
129. Frederic A. Tilton, First National Bank Bldg., Detroit, Mich.
130. Ellwood A. Davis, C. P. A., 702 N. Pine Street, Charlotte, N. C.
131. A. W. Burkett, care of T. Coleman Andrews & Co., Richmond, Va.
132. R. W. Andrews, care of T. Coleman Andrews & Co., Richmond, Va.
133. Mrs. A. W. Burkett, Richmond, Va.
134. Mrs. Leslie A. Kimble, Richmond, Va.
135. Mrs. O. E. Zacharias, Jr., Richmond, Va.
136. Leslie A. Kimble, care of T. Coleman Andrews & Co., Richmond, Va.
137. P. W. Pinkerton, C. P. A., 30 N. La Salle Street, Chicago, Ill.
138. O. E. Zacharias, Jr., Richmond, Va.
139. C. C. Croggon, C. P. A., 1243 Calvert Bldg., Baltimore, Md.
140. H. A. Walburn, C. P. A., 624 Lafayette Bldg., Philadelphia, Pa.
141. S. George Hay, C. P. A., Hospital Trust Bldg., Providence, R. I.
142. B. R. Clack, C. P. A., Richard Bldg., Tulsa, Okla.
143. Mrs. F. R. Clute, Washington, D. C.

C. P. A. Examination Questions—Maryland

NOVEMBER 17-18-19, 1924

AUDITING

Time allowed from 9 a. m. to 12 noon.

Answer all questions fully.

(Do not repeat questions on examination papers, but write answers fully, designating the questions by number. The intelligence indicated by answers and the neatness and general appearance of papers will be considered in marking applicants, as well as the technical accuracy of such answers.)

1. In examining securities, what data should the auditor record in order to protect himself? What is to be apprehended? (10 points)

2. State four different classes of audits and give briefly the scope of each. (10 points)

3. A real estate company for the purpose of obtaining cash to be used in developing a large tract of land assigns the mortgages, taken in part payment of land sold, to a trust company as trustee, whereupon the trust company delivers bonds to the real estate company which are then sold to the general public.

You are called in to examine the books of the real estate company, and discover an apparent sale of land has been made to a syndicate, the members of which are directors of the company. Payment for the land sold to the syndicate was made by means of notes and mortgages of the syndicate. The mortgages were delivered to the trustee, bonds received and sold for cash. The minute books contain an agreement with the syndicate members to repurchase the land from the syndicate at the price paid by the syndicate therefor. How would you treat this transaction in preparing the balance sheet of the real estate company and what comments, if any, would you make in your report? (10 points)

4. What would be your method in the preparation and arrangement of working papers during an audit and their preservation after an audit? (10 points)

5. Give a list of the books of a corporation which the auditor should examine. (10 points)

6. Set up a form of working paper that will enable an auditor to adjust a trial balance of January 1 with a profit and loss account and a balance sheet of a subsequent period without recourse to journal entries. (10 points)

7. Prepare a detailed audit programme of a textile manufacturing company, naming the principal ledger accounts. (10 points)

8. How would you verify the following accounts in making a balance sheet audit:

- (a) Cash in Bank.
- (b) Investments in Bonds.
- (c) Land Owned.
- (d) Inventory.
- (e) Capital Stock, Preferred. (15 points)

9. Give rulings for a capital stock or shares ledger for a corporation. Show how this book is kept and indicate its relation to the general books of account. Is such a ledger necessary for a corporation?

State what constitutes contingent assets and contingent liabilities. Give three illustrations of each. State whether or not, in your opinion, they should be represented in the books of account and whether or not they should appear in the balance sheet of a going concern, and if so, in what manner?

- Define (a) Scrip
(b) stock right
(c) amortization
(d) depreciation
(e) depletion
(f) consolidated balance sheet. (15 points)

THEORY OF ACCOUNTS

Time allowed from 1.30 p. m. to 5.00 p. m.

Answer all questions fully.

(Do not repeat questions on examination papers, but write answers fully, designating the questions by number. The intelligence indicated by answers and the neatness and general appearance of papers will be considered in marking applicants, as well as the technical accuracy of such answers.)

1. (a) Mention the methods of bookkeeping in general use. What books are ordinarily kept in each case? How is the profit or loss ascertained by the different systems? State the principal advantages of the method most universally used.

(b) State some of the uses of the journal, and illustrate with three typical entries, setting forth the manner in which you think a journal entry should be written and worded. (10 points)

2. (a) What accounts must necessarily be kept by an executor? What prime division should be maintained in recording his receipts and disbursements?

(b) What disposition should be made by the trustee, (first) of an amount received by him for the sale of the "rights" to subscribe to stock? (second) of a stock dividend received by him? Give reasons. (10 points)

3. How would you deal with accrued items receivable or payable (such as rent, interest, taxes, commissions, and salaries) when closing the accounts of a business at the end of a fiscal period? (10 points)

4. What, in your opinion, would be the proper accounting record for a business corporation to make of an appropriation from its surplus profits for the amount of a permanent investment in property? What, if any, is the effect upon stockholders? (10 points)

5. State and differentiate, for balance sheet purposes of a manufacturing business, the rules of valuation that apply in the following: (a) Long time bonds bought at a premium for investment, the market value of which has advanced; (b) dividend-paying stocks bought for investment, the market value of which has declined; (c) long time bonds bought at a discount for speculation, the market value of which has advanced; (d) land that has appreciated. (10 points)

6. Purchases, sales, returns, and allowances are frequently posted to one account called "merchandise." Describe the limitations of an account so kept and suggest, with your reasons therefor, an improved method of recording these transactions. (10 points)

7. A company leases, for factory purposes, for a term of 50 years certain unimproved property, paying a ground rent of \$1,000 per year. The company erects certain buildings thereon for its own use at a cost of \$40,000, the buildings to become the property of the owner of the land at the expiration of the lease. State how you would treat this proposition in the company's books of account. (10 points)

8. (a) A certain manufacturing concern makes tools and other equipment for use in its own plant and charges them to the capital asset accounts at the market value (which is in excess of cost) and credits the difference between the

market and the cost value to profit and loss for the period in which the tools and other equipment are manufactured. What is your criticism, if any, of this method?

(b) In the examination of the customer's accounts of the above mentioned concern, you find certain credit balances aggregating approximately \$15,000 arising out of allowances for returned goods, defective goods, etc. It has been the practice of the company to deduct items of this nature from amounts due from customers and to state the net difference in the balance sheet as "uncollected customers' accounts." What is your criticism, if any, of this method? (10 points).

9. If engaged to make an examination of the Trust Department of a banking institution, what do you consider the principal avenue of possible manipulation to be guarded against and how would you proceed to safe-guard such a situation? (10 points)

10. The following propositions are presented:

(1) Depreciation of physical property is continuous and unavoidable.

(2) Interest on invested capital is an element of cost.

(3) Cash is a current asset.

(4) True value of inventories is cost or market, whichever is lower.

(5) True value of fixed assets on the books of a going concern is replacement value.

(6) Interest paid previous to operation of a new plant is part of cost of plant.

(7) Dividends on stocks accrue day by day.

(8) Intercompany profits belonging to minority stockholders have no place in a consolidated balance sheet.

Without copying or discussing the foregoing propositions at any length, indicate to which of the following categories they belong:

(a) Statements of incontrovertible fact, or

(b) Statements which are not strictly true.

(c) Statements of accepted accounting principle or procedure which are correct, or

(d) Statements of accepted accounting principle or procedure which are incorrect, or

(e) Controversial statements of accounting principle or procedure for which reputable authority may be found on both sides. (10 points)

COMMERCIAL LAW

Time allowed from 9 a. m. to 12 noon.

Answer all questions fully.

(Do not repeat questions on examination papers, but write answers fully, designating the questions by number. The intelligence indicated by answers and the neatness and general appearance of papers will be considered in marking applicants, as well as the technical accuracy of such answers.)

Same weight is given to the answers to all questions.

1. (a) What is the charter of a corporation, and must it be accepted?

(b) What power has a corporation to make contracts and conveyances?

(c) What is a share of stock, and what a certificate of stock?

(d) When is a subscription made after the incorporation binding?

2. (a) How are contracts under seal made, and when do they take effect?

(b) Distinguish between motive and consideration.

(c) Will the doing of what one is already bound to do support a contract? Explain fully.

(d) Into what three classes is consideration divided with respect to time? Define each.

3. (a) When has the principal power to revoke the agency? Explain fully.

(b) Is there any difference between the power to revoke and the right to revoke? Explain fully.

(c) Can a partnership hold real estate in its firm name? Explain fully.

(d) Is the partnership liability joint or joint and several? Explain fully.

4. (a) Are the words "Value received" essential to the validity of a note or bill? Explain fully.

(b) Define special endorsement, and state its effect.

(c) What is the liability of a maker or acceptor?

(d) By and to whom must presentment be made? Explain fully.

5. (a) What are valued and open policies?

(b) What is the effect of an assignment of the insured property? Explain fully.

(c) How does the doctrine of subrogation apply to fire and marine insurance?

(d) In a sale of specific chattels when does title pass? Explain fully.

(e) What right has the buyer with reference to inspecting the goods?

(f) How do the bankruptcy laws affect state legislation on insolvency?

(g) Is a surety ever bound when the principal is not? Explain fully.

(h) When will the death of the guarantor revoke the guaranty?

ECONOMICS

Time allowed from 2.00 p. m. to 5.00 p. m.

Answer all questions fully.

(Do not repeat questions on examination papers, but write answers fully, designating the questions by number. The intelligence indicated by answers and the neatness and general appearance of papers will be considered in marking applicants, as well as the technical accuracy of such answers.)

Same weight is given to the answers to all questions.

1. (a) "Labor alone is the producer of wealth; take away labor and not all the capital in the world could produce anything." Allowing the second clause to be true as a statement of fact, does it prove the proposition contained in the first? Explain.

(b) "Discovery and invention have doubtless played a very large part in securing our present high industrial efficiency. But they are not the whole thing. The increase of capital has been equally necessary; for, without capital, invention could have accomplished little or nothing." Defend and illustrate the last sentence.

2. Explain how market price is the result of the forces of supply and demand. Illustrate by tables and diagrams showing supply and demand. At what point does price tend to be fixed? Why?

3. What are the functions of money? What is meant when it is said that we have a "gold standard" in the United States? What is credit? What service does it perform in the modern economic system? What is the difference between a promissory note and a bill of exchange? What use does the business man make of a commercial bank?

4. Explain the principles determining the rent of land. If the price of wheat is \$1.50 per bushel, what rent could be paid for the use of an acre of land that yielded 30 bushels at an average cost of labor and capital of \$1.25 per bushel? Would the tendency be for any of these bushels to cost the producer \$1.50? Explain.

5. Explain why interest can be paid and why it must be paid. What is the effect upon the rate of interest of (a) increased saving, (b) inventions making possible the use of more elaborate machinery, (c) war? Explain.

6. Distinguish socialism from anarchism. What would you say is the fundamental idea of socialism? What

criticisms do the socialists make of our present economic system? Give a critical estimate of socialism.

7. What would you expect to be the relation between the goods exports and the goods imports of a country during the following periods:

- (a) When it is first open to settlement or to industrial enterprise;
- (b) When it has become quite well supplied with imported capital goods;
- (c) When its citizens begin to make investments in other countries;
- (d) When a relatively large amount of such foreign investments have been made.

Explain the reason for your answer. In which of the above stages is the United States? England? Mexico?

PRACTICAL ACCOUNTING

Time allowed from 9.00 a. m. to 1.00 p. m.

Answer all questions fully.

(Do not repeat questions on examination papers, but write answers fully, designating the questions by number. The intelligence indicated by answers and the neatness and general appearance of papers will be considered in marking applicants, as well as the technical accuracy of such answers.)

Problem No. 1

On January 1, 1923, the Monarch Coal Company acquired a controlling interest in the Willow-Branch Coal Company and the Dicks Mountain Coal Company through the purchase of the following stocks and bonds for cash, viz:

800 shares 6 per cent cumulative preferred stock—preferred as to capital and dividend—of the Willow-Branch Coal Company for.....	\$80,000
2,000 shares of common stock of the Willow-Branch Coal Company for	200,000
150 shares of common stock of the Dicks Mountain Coal Company for.....	25,000
\$50,000 first mortgage 6 per cent bonds of the Dicks Mountain Coal Company for	50,000

The Willow-Branch Company is the holder of 600 shares of the Dicks Mountain Coal Company capital stock. From the statements of assets and liabilities at December 31, 1923, of the three companies given here below, prepare a consolidated balance sheet at that date.

MONARCH COAL COMPANY

BALANCE SHEET DECEMBER 31, 1923

Assets	
Cost of property.....	\$1,000,000
Investments:	
\$50,000 in the Dicks Mountain Coal Company bonds.....	\$50,000
150 shares in the Dicks Mountain Coal Company	25,000
800 shares in the Willow-Branch Coal Company (preferred)...	80,000
2,000 shares in the Willow-Branch Coal Company (common)....	200,000
	355,000
Current assets:	
Inventory	200,000
Accounts and notes receivable....	100,000
	300,000
Inter-company accounts:	
Willow-Branch Coal Company....	75,000
Dicks Mountain Coal Company...	20,000
	95,000
Deferred charges to operation.....	15,000
	1,765,000
Liabilities	
Capital stock—total authorized and issued:	
5,000 shares of \$100 each.....	\$500,000
First mortgage 6 per cent bonds.....	500,000

Current liabilities:	
Accounts payable	\$70,000
Bond interest accrued.....	10,000
	80,000
Reserve for depreciation.....	300,000
Surplus:	
Balance at December 31, 1922....	250,000
Profit for the year 1923.....	135,000
	385,000
	1,765,000

WILLOW-BRANCH COAL COMPANY
BALANCE SHEET DECEMBER 31, 1923

Assets	
Cost of property.....	\$500,000
Investments:	
600 shares in the Dicks Mountain Coal Company	100,000
Current assets:	
Inventory	64,000
Accounts receivable	56,000
	120,000
Inter-company accounts:	
Dicks Mountain Coal Company....	15,000
Deferred charges to operation.....	20,000
	755,000

Liabilities	
Capital Stock—total authorized and issued:	
Common 2,500 shares.....	\$250,000
Preferred 1,000 shares.....	100,000
	350,000
First mortgage 6 per cent bonds.....	150,000
Current liabilities:	
Accounts payable	30,500
Bond interest accrued.....	1,500
Preferred dividend, payable January 1, 1924.....	3,000
	35,000
Inter-company accounts:	
Monarch Coal Company.....	75,000
Reserve for depreciation.....	20,000
Surplus:	
Balance at December 31, 1922....	85,000
Profit for the year 1923.....	40,000
	125,000
	755,000

DICKS MOUNTAIN COAL COMPANY
BALANCE SHEET DECEMBER 31, 1923

Assets	
Cost of property.....	\$150,000
Investments:	
100 shares in the Willow-Branch Coal Company (preferred)...	10,000
Current assets:	
Inventory	\$62,000
Accounts receivable	18,000
	80,000
Deferred charges	10,000
	250,000

Liabilities	
Capital Stock—total authorized and issued:	
750 shares at \$100 each	\$75,000
First mortgage 6 per cent bonds.....	50,000
Current liabilities:	
Accounts payable	\$24,500
Bond interest accrued.....	500
	25,000
Inter-company accounts:	
Monarch Coal Company.....	20,000
Willow-Branch Coal Company....	15,000
	35,000
Reserve for depreciation.....	15,000
Surplus:	
Balance December 31, 1922.....	37,500
Profit for the year 1923.....	12,500
	50,000
(35 points)	250,000

Problem No. 2

George Miller, Washington Owen and Edward Collins engage in business, George Miller contributing \$10,000 capi-

tal; Washington Owen \$5,000; and Edward Collins undertakes to take the active management at a salary of \$3,000 a year, to be paid to him monthly. After providing 5 per cent interest on capital they are to divide the net results in the proportions of 5, 3, and 2. At the end of 18 months they ascertain the position to be unfavorable and decide to wind up. The assets are agreed to be worth \$12,500, of which George Miller takes \$10,000 and Washington Owen \$2,500, subject to an adjustment of the partnership relations. There are no liabilities except for the capital and simple interest thereon, and one month's salary due Edward Collins. State the position of the three partners to each other. (15 points)

PRACTICAL ACCOUNTING

Time allowed from 2.00 p. m. to 6.00 p. m.

Answer all questions fully.

(Do not repeat questions on examination papers, but write answers fully, designating the questions by number. The intelligence indicated by answers and the neatness and general appearance of papers will be considered in marking applicants, as well as the technical accuracy of such answers.)

Problem No. 3

The following trial balance of the Wolf River Woolen Company is taken from the books after inventories and deferred charges have been posted. The accounts are ready to close for the period. The consigned goods account has been inactive for six months and will continue so for the present. Prepare statement to show for the quarter ended March 30, 1920, total manufacturing expenses, cost of goods made, cost of goods sold and net profit, and submit a balance sheet as of March 30, 1920.

TRIAL BALANCE

	Dr.	Cr.
Cloth		\$268,337.28
Labor	\$33,862.99	
Light	132.72	
Royalties	50.00	
Oils	38.62	
Finishing	7,455.55	
Cash	119,126.06	
Liberty Bonds	1,000.00	
Supplies	1,276.06	
Starch	800.00	
Fuel	1,455.99	
Water	202.24	
Freight Inward	1,353.99	
Accounts Receivable	63,492.58	
Accounts Payable		313.45
Notes Payable		225,000.00
Building and Machinery	341,378.14	
Tenements	1,610.99	
Insurance	350.00	
Taxes	567.71	
General Expense	542.88	
Rents Receivable		378.87
Commissions	7,121.42	
Interest Paid	2,539.90	
Discount taken		4,016.26
Purchases, material	162,403.68	
Surplus		168,866.14
Discount allowed	899.50	
Capital Stock		362,500.00
Waste Sales		1,401.39
Inventory, finished goods, 3/30..	114,069.57	
Inventory, process, 3/30..	31,464.02	
Inventory, materials, 3/30..	113,860.99	
Inventory, fuel, 3/30..	1,250.00	
Inventory, starch, 3/30..	800.00	
Inventory, supplies, 3/30..	1,300.00	
Prepaid taxes, 3/30..	208.96	
Unexpired insurance, 3/30..	660.41	
Prepaid interest, 3/30..	5,100.00	
Consigned goods, 3/30..	14,438.42	
	1,030,813.39	1,030,813.39

Inventories of finished goods have been credited to cloth account and inventories of goods in process and materials to purchase account.

INVENTORIES JANUARY 1, 1920

Finished goods, January 1, 1920.....	\$132,833.85
Goods in process, January 1, 1920....	22,258.01
Materials, January 1, 1920.....	143,566.55
	(30 points)

Problem No. 4

The books of the Maryland Produce Company, with an authorized and outstanding capital stock issue of \$25,000 are kept by single entry.

It annually inventories all of its assets and liabilities and from such inventory prepares a financial statement. At December 31, 1922, this inventory is as follows:

Office cash	\$1,584.00
Balance, Bank A.....	10,824.00
Accounts receivable	29,521.00
Ten shares stock in competing company	1,000.00
Plant and Equipment.....	64,938.00
Merchandise inventory	21,737.00
Prepaid expenses	5,081.00
Overdraft, Bank B.....	5,003.00
Accounts payable	19,747.00
Mortgage payable	25,000.00
Notes payable	20,000.00

From a comparison of the financial statements at the beginning and end of year you find that the above item of plant and equipment is stated in an amount less by \$11,460 than it was at the beginning of the year plus additions during the year.

The financial statement for the beginning of year showed a surplus of \$35,703.

From your analysis of the disbursements and unpaid accounts payable at beginning and end of year, you find a total of purchases amounting to \$661,910 and expenses for salaries, wages, supplies, repairs, etc., amounting to \$120,115.

The purchases, however, included \$450 paid out for John Smith, an employee for which he had not reimbursed the company, and the total expenses of \$120,115 included \$250 in the hands of a buyer as a working fund.

The inventory of merchandise at the beginning of the year was \$18,125 and of prepaid expense was \$2,653.

There was canceled on the customers' ledger during the year \$3,206 of uncollectible accounts.

There was paid for interest and discount on notes payable \$1,061 and for interest on mortgage \$1,500.

A 10 per cent dividend was declared but not paid.

From the foregoing prepare:

(a) A Statement of Condition, December 31, 1922.

(b) A profit and loss statement exhibiting net sales, cost of sales and gross and net profit for the year. (20 points)

IN MEMORIAM

Edward L. Parker, C. P. A. (Mass.), died on Saturday, September 12, 1925.

Mr. Parker was senior partner of the firm Parker & Rawson, 50 State Street, Boston, Mass.

Samuel Henry Wenck, C. P. A. (Ill., No. 63, 1904), of Montclair, N. J., died on August 25, 1925, at the Annapolis Hotel, Washington, D. C., where he was a guest.

Report of Committee on Professional Education

IN its report to the meeting last year, your committee set forth several objectives toward which its work was to be directed. One step in carrying out the program was an investigation for the purpose of ascertaining, (a) the extent to which the several state societies had co-operated with schools of commerce of collegiate grade by the appointment of committees on education or committees on relations with professional schools; (b) the nature and character of such co-operative work wherever it had been inaugurated. Accordingly, each state society was addressed through some responsible officer. In some cases, two letters of inquiry were sent. Wherever the notation "no report" appears in the "Roll of States," the members will understand that the committee was not successful in obtaining a reply up to the time when this report was prepared.

If it is correct to assume that the interest which practitioners have, in the matter of professional education is measured and determined by the appointment of co-operating committees, or by the accomplishment of such committees, the survey as a whole does not present a happy picture. It will be noted that some of the societies are inactive; in several states, there is no society; a few of the societies have appointed committees which have begun truly effective work. In too many instances, the committees appointed do not appear to have adopted definite programs—at least, nothing substantial has been reported.

Before any sound generalizations or conclusions are to be drawn from the data so far gathered, consideration must be given to a number of factors which enter into the situation. Many of the societies have been in existence only for a relatively short period;—too short, in fact, to reasonably expect a large

J. T. MADDEN, C. P. A., Chairman.

[Mr. Madden, Chairman of the committee being unable to be present, the report was read by Paul W. Pinkerton, a member of the committee, who prefaced it by the following statement:

"In presenting the report of the Committee on Professional Education, I want to say that the credit for the work done by this committee during the past year belongs almost entirely to Dr. Madden. The other members of the committee have corresponded with him to some extent, but Dr. Madden has conducted an enormous correspondence with the state societies and with educational institutions throughout the country and has done a great deal of work for which he and not the other members of the committee, should have credit."]

amount of constructive work. Moreover, it has not been recognized until recently that any committee on education must have continuity of personnel for a period of years if any sort of effective work is to be done. To add to the difficulties of the problem, there was no co-ordinating agency for the exchange of information or experience until this society began its work in that direction. Advisedly or not, the schoolmen were given the impression from time to time, that they were persona non grata in professional societies. Some of the state societies are weak even though more or less active. On the other hand, individual members here and there, have been extraordinarily industrious and energetic in educational matters and it is probably safe to say that some members of the profession in personal effort have achieved more in the aggregate than many of the societies together. Finally, it is not at all certain, that the appointment of a committee on education or a committee on relations with professional schools is the best method of procedure in each and every state.

Experience shows that signi-

ficant results in education often center around an individual and are not the result of joint effort. At the same time, it does not appear that the desired aims and ends are to be attained by this method in our field because the busy practitioner sooner or later reaches the limit of his capacity for helpfulness. This does not argue for any diminution of individual efforts that are now being expended or that may be attracted in the future. In each state there are usually to be found three or more practitioners who are equally capable and interested as well as inherently adapted for the successful endeavor in matters of education. In any survey of results, it is impossible to register by an adequate standard, the results of the consciously directed power of an individual. That the individual factor is significant is amply evidenced in the replies received by the committee. We were frequently advised that a certain member of the society was the one to refer to for information in matters of education. The replies from societies having no committee informally expressed an interest in the work your committee was engaged in and in a dozen instances asked for further information.

It is our intention to make a similar report next year, arranged in such form as to show the developments that have taken place during the year in each state. In this way, our rate of progress in attaining our educational aims and ends will best be disclosed.

The election to associate membership in a state society of at least one student majoring in accounting from each of the colleges and universities in the state would create unusual interest and would be reflected in better work in the colleges on the part of students who would value highly such a mark of distinction. Reference is

made in this connection to the committee report on the qualifications of the Junior Accountant adopted by the American Association of University Instructors in Accounting at its December 1924 meeting.

Closer contact with the instructors in institutions of collegiate grade will prove beneficial. This may be accomplished by inviting them to attend one or more of the general or open meetings of the society. In this way the instructors will learn to know the professional men in the state and in turn, the practitioners will become better acquainted with the college and its problems.

Your committee in its report for 1924 stressed the responsibility of the several state societies in the matter of professional education. This survey seems to indicate that much remains to be done before we can say that the duty has been fully discharged. It is not the function of this committee to make recommendations. The local societies best know their own conditions, as well as their obligations and the resources available to meet them. The programs of the Illinois and Wisconsin societies are suggestive. It would seem that any plan which will bring the societies into closer contact with the college students who have definitely planned to enter the professional field must produce advantages for both parties.

Roll of States

ALABAMA: Chairman of Committee on Education is Mr. H. G. Crane, Shepherd Building, Montgomery, Ala. Mr. Crane has acted on this committee for several years.

ARKANSAS: The Arkansas Society has no Committee on Education.

ARIZONA: Mr. James M. Lawton, Secretary of the State Board of Accountancy advises that the State Society has been inactive since its first meeting in 1919.

CALIFORNIA: The State Society has no Committee on Educa-

tion but, Mr. John F. Forbes, Secretary of the State Society, 210 Crocker Building, San Francisco, lectures in the University of California. Many other members individually have interested themselves in education and as individuals have kept in close touch with education for the profession.

COLORADO: The Society has a committee of three members; Messrs. Wm. J. Thompson, Thomas Redington and Louis C. Linck, all of Denver which acts as an advisory Committee of the Denver University, School of Commerce, Accounts and Finance.

CONNECTICUT: A letter from Leon E. Vannais, President of the Connecticut Society under date of December 15, 1924, advises that no action has been taken in the matter of appointing a committee.

DELAWARE: No report.

DISTRICT OF COLUMBIA: Mr. C. Vaughan Darby, Secretary of the Institute of Accountants reports under date of February 2, 1925 that the society has not yet appointed such a committee. The matter was presented to the board and it was favorably thought of and a committee may be appointed at a later date.

FLORIDA: The society has no such committee.

GEORGIA: The society has recently appointed a Committee on Public Affairs consisting of the following: Messrs. James L. Respass, Chairman; William H. James, Allen Clapp, Frank P. Rivers, A. H. Eidson, all of Atlanta. The work of the committee is more broadly that of educating the public although the Committee would also probably function in arranging programs of instruction for associate members and others who may attend the meetings of the society.

IDAHO: No report.

ILLINOIS: The Committee on Education of the society consists of H. T. Scovill, Chairman, H. A. Finney, J. O. McKinsey and Harry T. Boyack. The committee has functioned for several years. It has co-operated with Schools of Com-

merce within the state and each year, two of the honor students from each school are given Student Associate Memberships in the State Society. The requirements for these memberships are the preparation of a satisfactory thesis upon some accounting subject.

INDIANA: No committee has been appointed. The By-laws of the Indiana Association do not provide for such a committee although under the articles of incorporation the association is permitted to hold lectures and classes of instruction on accountancy subjects. Mr. H. A. Roney, Corresponding Secretary of the Association, will present the matter to the next meeting of the Board of Directors on September 16, 1925.

IOWA: No committee has been appointed.

KANSAS: The Kansas Institute does not have a large membership and no committee has been appointed.

KENTUCKY: No report.

LOUISIANA: No committee has been appointed by the Louisiana Society.

MAINE: No report.

MARYLAND: The Maryland Association through its Secretary, Mr. J. D. Brawner, reports that while no committee has been appointed the members are individually interested in anything which contributes to the advancement of the profession.

MASSACHUSETTS: The Committee of the Massachusetts Society consists of Mr. C. F. Rittenhouse, Chairman; Mr. H. C. Bentley, and Professor C. M. Collins of Harvard University.

MICHIGAN: The Michigan Association has a Committee on Education and Publicity whose duties are to encourage and promote the cause of accounting education by whatever means may be available. The Chairman is Mr. Cyril N. Bullock, 1639 First National Bank Building, Detroit.

MINNESOTA: The State Society is disorganized. There is no or-

ganized activity of the certified public accountants as such.

MISSISSIPPI: The membership of the society is limited and this militates against the development of interest. No committee has been appointed.

MISSOURI: The Missouri Society has no committee but the Secretary, Mr. John J. Lang, believes that the society desires to cooperate in every possible manner in fostering professional education.

MONTANA: The Montana Society has a committee on Education consisting of Messrs. F. S. Jacobson, of Helena; W. Grant Hoage, of Butte; and William B. Finlay of Great Falls.

NEBRASKA: The Nebraska Society has no committee. The society has been inactive of late but present plans call for more activity.

NEVADA: There is no society in this state.

NEW HAMPSHIRE: There is no society in this state.

NEW JERSEY: By resolution of the Board of Trustees a committee of three members is to be appointed by the president.

NEW MEXICO: There is no society in this state.

NEW YORK: The New York Society has a committee on relations with preparatory institutions consisting of seven members under the Chairmanship of Mr. W. S. Whittlesey.

We quote from the report of the Committee:

Two meetings of the Committee have been held. The files of the preceding Committee were reviewed, and the work before the Committee which seemed important, appeared to be:

(1) Preparation of a suitable syllabus for those intending to take State examinations.

(2) Definite effort by the Committee, as the medium between the Society and preparatory and collegiate institutions, to foster and urge a broad general education as the best background for work in

accounting courses, and to invite men taking academic and scientific courses to enter accounting as a profession.

The members of the Committee assigned to the preparation of a syllabus, thought it unwise to take definite steps before the new Board of Examiners was re-organized. They strongly recommend to State Boards that credit be given for the years of general business experience, or an accounting school degree or diploma, to the end that men of such experience or credentials may be given some relief from the present five-year requirement of actual experience before receiving the C. P. A. certificate.

As to the second objective of the Committee, while no definite steps have been taken, it is urged that the Society, through its Committee, offer the services of its members who would be willing to address educational institutions on the general subject of accounting and its opportunities for the young man considering a professional career.

To take up any interest that might thereby be created in the work of the profession, the Committee further urges that steps be taken with a number of the larger accounting firms who are constantly adjusting their staffs, to organize their co-operation in stabilizing, if possible, the preliminary years of apprenticeship or training experience.

NORTH CAROLINA: The North Carolina Association has a Committee known as the Committee on Publicity and Education which is attempting to bring about a very close relation between the state organization and the educational institutions in the state. The Dean of the School of Commerce of the University of North Carolina and the President of the University have been elected to honorary membership with a view to securing closer co-operation.

NORTH DAKOTA: There is no Society in this State.

OHIO: No report,

OKLAHOMA: No report.

OREGON: The State Society has not appointed a special Committee on Education.

PENNSYLVANIA: The Pennsylvania Institute has a Committee on Education, the Chairman of which is Mr. Horace P. Griffith, Franklin Trust Building, Philadelphia.

RHODE ISLAND: No report.

SOUTH CAROLINA: The South Carolina Association has a Committee which consists of three members as follows: Messrs. George E. Olson, C. C. Fishburne, of Columbia, and Mr. E. T. Campbell of Georgetown.

SOUTH DAKOTA: There is no Society in this state.

TENNESSEE: The State Society has been inactive for several years.

TEXAS: The Texas Society's Committee is as follows: Frank G. Rodgers, Chairman, 419 City National Bank Building, San Antonio, Texas; Mr. J. R. Nelson, Dallas, and Mr. T. A. Thurston, El Paso.

UTAH: The Utah Association reports that no Committee has been appointed.

VERMONT: There is no Society in this state.

VIRGINIA: The Virginia Society has a Committee on "The School of Accountancy." The members are Mr. A. Lee Rawlings, Chairman, Norfolk, Va.; Mr. J. H. Rindfleisch and Mr. W. P. McCrory.

WASHINGTON: The Washington Society does not have any standing committees. Mr. McConahy the President and Mr. P. C. Davis, the Secretary-Treasurer both devote some time to lecturing at the University of Washington.

WEST VIRGINIA: The Association has a provision in its Constitution for a Committee on Education but no appointments have been made. Whenever special matters arise, the President appoints the Committee to consider the particular matter presented.

WISCONSIN: The Wisconsin Society has a committee consisting of Professor F. H. Elwell, Chairman,

Madison, Wisconsin, and Messrs. Hugo Kuechenmeister and H. H. Pease of Milwaukee. The Committee has agreed upon a tentative plan for next year which involved bringing all the instructors in the colleges and universities in the State to the November meeting and acquainting them with the work of the Society as well as its members. The Wisconsin Society invited all students in the University of Wisconsin majoring in accounting to its March meeting and the session proved pleasant and profitable for all present.

WYOMING: There is no Society in this state.

Respectfully submitted,

For the Committee,

J. T. MADDEN,

Chairman,

F. H. ELWELL,

P. W. PINKERTON.

The Cost Accounting Movement

(Continued from page 129)

the right conditions industrial accountants like to commune with their fellows and with professional accountants on problems of common interest. Out of this desire in some cities has come an organization within the Chamber of Commerce. This organization is made up of accountants, industrial, commercial and professional. Meetings are held monthly, except during the summer months. Local accountants describe their experiences in various fields of accounting. Occasionally an outside speaker is secured. There is informal discussion. Occasionally a committee is appointed to make an investigation on some specific subject. Altogether it is a mutual aid society. In Rochester, N. Y., such an organization has been in active operation for six or eight years. At Chicago it is the Illinois Manufacturers' Cost Association, which has luncheon meetings at which five hundred or more executives and accountants gather, usually to hear a more or less general

talk on some phase of accounting, and at evening meetings, attended solely by accountants, subjects of more technical character are considered. Similar organizations are to be found in Kansas City, Portland, Oreg., York, Pa., and Paterson, N. J.

Here is an opportunity for the certified public accountant. He should be a natural leader in the movement for an organization of such a group, and yet with his greater opportunity coming through contacts with many lines of business and from serving many clients he may sometimes have to be careful not to be too tenacious with his views or air his knowledge too liberally. Yet he will gain from such an organization, for he will see the practical point of view of his friend, the industrial accountant, and have to listen to many unusual problems which will assist him in his every day professional work.

This then is a brief description of our activities and our attitude on the subject of cost accounting. As stated, we solicit and want your cooperation, but in bringing my remarks to a conclusion I wish to stress the broader activities of the Chamber and urge you to take part in them. At the present time, for example, the Department of Manufacture has been commissioned by the Board of Directors of the Chamber to make a study on the subject of prison labor, with particular relation to its effect upon free competition. We have found this to be an exceedingly interesting and important subject, and in speaking to you as accountants I would like to refer to the almost universal lack of sound cost accounting in penal institutions. Seldom does the public official in charge of prison activities have at command reliable cost figures for the production made by the inmates. In fact, if these costs were accurately known it would undoubtedly make the problem of prison competition much less difficult of solution. Here is a field in

which the certified public accountant in his own community can render a public service. It is but one of many fields in which he may be active through his local Chamber of Commerce but he should not stop at service coming solely within the scope of his profession but should do his part as an American citizen, better equipped than the average, to study and to express his opinion on any and all of the subjects presented by the National Chamber or his local Chamber for the vote of its members.

When you are in Washington we welcome you to our National headquarters and we shall be glad in all of our departments to give you such service as we can either at the time of your visit or by correspondence from your homes.

BOOK REVIEWS

Practice Before the United States Board of Tax Appeals

By Charles D. Hamel. Published by District of Columbia Institute of Certified Public Accountants, 426 Woodward Building, Washington, 1925. Price. \$10.00.

The prospective purchaser of this book should not be misled by the title. Mr. Hamel's work does not deal with the technical side of practice before the Board of Tax Appeals in the sense of setting out the rules of the Board with instructions as to the proper method of complying with each of the rules. The book is merely a report of a series of lectures delivered by Mr. Hamel before the District of Columbia Institute of Certified Public Accountants during the summer of 1925, dealing with the question of practice before the Board in a general way. The members of the District of Columbia Institute felt that these talks were so valuable that every accountant should have an opportunity to obtain the information they afforded, and therefore ar-

ranged to have these lectures reported and printed for distribution.

The book consists of 109 pages and the subject matter should prove of very great assistance to every Certified Public Accountant who may be called upon to practice before the Board of Tax Appeals. Mr. Hamel, through his experience as Chairman of the Committee on Appeals and Review and later as the first Chairman of the United States Board of Tax Appeals, is particularly well fitted to discuss the problems confronting the accountant practicing before the Board.

If every lawyer of Mr. Hamel's high ability had the sympathetic understanding of the accountancy profession which has always been displayed by Mr. Hamel, the problems of contact between the accounting and legal professions would be much nearer solution. On the other hand, the Certified Public Accountant must endeavor to understand and appreciate the legal point of view and to this end it would be highly desirable for every practicing Certified Public Accountant to read Mr. Hamel's discourse as reported in this book. The issues involved in a single case are often so large that no effort should be spared upon the part of Certified Public Accountants to familiarize themselves with the technique of practice before the Board. If the Certified Public Accountant is to justify the confidence which has been imposed in him by the Board of Tax Appeals, he must understand the difference between the practice before the Board and practice in the Bureau of Internal Revenue. He will find in this little work information along this line which will prove invaluable.

PARRY J. BARNES, C. P. A.

Guy Purdy, C. P. A., has entered public practice and will be associated with G. L. Langton & Co., Certified Public Accountants, with offices in the Paulsen Building, Spokane, Wash.

FINANCIAL REPORT, THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS, FISCAL YEAR ENDING AUGUST 31, 1925

Receipts

Cash on hand September 1, 1924:		
In Bank (Marshall & Illsley Bank, Milwaukee, Wis.)	\$71.23	
Petty Cash Fund in Secretary's Office	200.00	
		\$271.23
Dues and Memberships:		
1924 Dues—Carried Over into 1925	\$792.50	
Less Bad Accounts	287.50	
		505.00
963 Members @ \$10.00	9,630.00	
Dues for Fiscal Year 1925 Collected	18,947.40	
	28,577.40	
Plus Credit on Dues Account of Unexpired Subscriptions	14.00	
	28,591.40	
1926 Dues Paid During Fiscal year 1925	4,497.50	
		33,593.90
Miscellaneous:		
Advertising	937.50	
Contribution from Member	100.00	
Notes Discounted (\$3,000 and \$1,000)	4,000.00	
Subscriptions to Magazine	\$2,630.45	
Less amount later transferred to dues when subscribers joined the Society	14.00	
	2,616.45	
		7,653.95
		41,519.08
Deductions—		
Discount on Notes	60.00	
Checks Returned (Chargeable to	35.00	
Membership Fee 1924	\$10.00	
Membership Fee 1925	10.00	
Dues Paid in 1924 for Fiscal Year 1925)	15.00	
Exchange charges in excess of interest allowed by Chicago Bank	.80	
		95.80
Net Cash to be Accounted for		41,423.28

Expenditures

Accounts Payable from Fiscal Year 1924	\$2,766.52	
Purchase of Furniture and Fixtures:		
Furniture	\$1,226.65	
Fixtures	525.85	
Mailing Equipment	152.78	
Books, Etc.	33.45	
Miscellaneous Assets	134.82	
		2,073.55
Secretary's Office:		
Salary of Secretary	6,000.00	
Clerical Expenses	7,910.84	
Office Supplies	963.24	
Rent	1,487.50	
Telegrams and Telephone	324.78	
Express	13.09	
Printing, etc.	602.49	
Postage	927.88	
Miscellaneous	112.55	
		18,342.37
Board of Directors Expenses	95.56	
Officers Expenses	58.21	
Conventions and Special Meetings	942.44	
Legal	25.00	
Dues (Chamber of Commerce of U. S. A.)	90.00	
Taxes (District of Columbia)	26.94	
Travel	169.17	
Printing Copies of C. P. A. Laws	25.78	
Miscellaneous	31.00	

THE CERTIFIED PUBLIC ACCOUNTANT:

Salary and Clerical Expenses	\$2,500.00	
Printing	6,938.36	
Postage	2,106.30	
Circulation Expense	352.76	
Miscellaneous	538.54	
		12,435.96

Certificates of Membership:

Printing	833.50
Postage	148.32
Mailing Tubes	120.43
Miscellaneous	10.42
	<u>1,112.67</u>

Elections and Membership Voting:

Printing	91.00
Postage	139.44
	<u>230.44</u>

Special Pamphlets:

Printing	298.72
Postage	42.00
	<u>340.72</u>

Directories:

Printing	807.00
Postage	210.00
Miscellaneous	17.10
	<u>1,034.10</u>

Membership Campaigns:

Printing, Supplies.....	264.45
Postage (Representatives Bills).....	48.28
	<u>312.73</u>

Refund of Subscriptions to THE CERTIFIED PUBLIC ACCOUNTANT.....

2.00

Total Expenditures..... 40,115.16

Balance of Cash on Hand..... 1,308.12

In Bank (National Metropolitan Bank, Washington, D. C.).....	\$908.12
Petty Cash Fund in Secretary's Office.....	400.00
	<u>1,308.12</u>

COMPARATIVE BALANCE SHEETS, AUGUST 31, 1924, AND AUGUST 31, 1925

Assets		
Current Assets:	August 31, 1924	August 31, 1925
Cash—		
In Bank.....	\$71.23	\$908.12
Less Check Charged Back....	25.00	
	<u>46.23</u>	
Petty Cash.....	200.00	400.00
	<u>\$246.23</u>	<u>1,308.12</u>
Dues Receivable.....	792.50	442.50
Less Dues Uncollected.....	287.50	
	<u>505.00</u>	
Accounts Receivable.....	751.23	1,320.00
		<u>\$3,070.62</u>
Fixed Assets:		
Furniture and Fixtures.....	870.56	2,944.11
Deficit	5,468.58	2,482.77
Total.....	<u>7,090.37</u>	<u>8,497.50</u>

Liabilities

Current Liabilities:		
Dues Paid in Advance.....	\$4,323.85	\$4,497.50
Accounts Payable.....	2,766.52	4,000.00
Notes Payable.....		
	<u>\$7,090.37</u>	<u>\$8,497.50</u>

SCHEDULE OF EARNINGS AND EXPENSES, FISCAL YEAR ENDING
AUGUST 31, 1925

Earnings

1925 Dues paid on Fiscal Year 1924.....	\$4,323.85
(See Balance Sheet)	
963 Membership fees @ \$10.00.....	9,630.00
1925 Dues collected (less checks charged back).....	18,951.40
1925 Dues outstanding.....	442.50
	<u>\$33,347.75</u>
Subscriptions to THE CERTIFIED PUBLIC ACCOUNTANT	2,616.45
Advertising Paid.....	\$937.50
Accounts Receivable.....	320.00
	<u>1,257.50</u>
From Prentice-Hall on account of Accountant's Directory and Who's Who.....	1,000.00
	<u>4,873.95</u>
	<u>38,221.70</u>

Expenses

Expenses chargeable to Fiscal Year 1925.....	35,275.09
Net Earning in excess of operating expenses.....	<u>2,946.61</u>

EDITOR'S NOTE

The foregoing statement of finances of the Society was presented to the annual meeting in Richmond and referred to the Auditors of the Society, Messrs. Wm. McK. Evans, Guy M. Scott, and J. M. Culbreth, of Richmond, Va.

This committee audited the report and found it correct. The committee also reported that they had verified the ballots for State Representatives, as announced in the September issue of The Certified Public Accountant, and found them to be correct. A detailed report was presented and is on file in the office of the Society.

Practice Before the
Board of Tax Appeals

(Continued from page 123)

viewed by the entire Board. I felt that the Board should review every opinion because there was too much danger of conflict, lack of uniformity and all that sort of thing and as a practical matter, I think if you are going to get the best results, the Board should consider every opinion and every opinion should in fact be the decision of the Board.

To get a body of men larger than sixteen will not be practical. The problem is a big enough one with the Board at its present size. It is a terrific problem. It requires tremendously long hours of work and if you enlarge the Board, the members are going to get to the point where they are going to rely more and more on the decision of the division and accept without question, and then you are going to have trouble. You are not going to get the same quality of work.

Mr. PARRISH. Mr. Hamel, you mentioned a while ago that you had been more or less informally making addresses before certain associations. I think you also said you did not at this time care to go into the details of the procedure before the Board. Will you tell me please whether or not there is published any of those addresses or any general data that will be of help to the accountant in deciding what, for example, would be a proper deposition?

Mr. HAMEL. Those talks are going to be published. Mr. Councilor is arranging to have them published. Whether or not they will be helpful, I don't know. I regret very much that I was not able to give much preparation to those talks. They were given in a very informal manner. I roamed over a great deal of ground and probably repeated myself a great many times. I don't know whether they are to be of much value. I have rather discouraged the publication of them for that reason.

President PRIDE. I intended to inform all of the members that, as Mr. Hamel has told you, all of his lectures given last winter before the District of Columbia Institute of Certified Public Accountants are being reproduced and Mr. Councilor has the dummy form to show you how they are going to be set up. He will be glad to give you all the information you wish and which perhaps Mr. Hamel, on account of his modesty will not give you.

Mr. JAMES A. COUNCILOR. I have the dummy upstairs. I could not begin to give you the information Mr. Hamel gave us if I took a week. However, I shall be glad to have the dummy around this afternoon and as long as the copies hold out, we shall be glad to distribute them for consideration.

Mr. HECHT. In connection with the question raised by Mr. Dunn, a very interesting decision was rendered by the district judge in the Southern District of New York, denying the right to enjoin the Collector of Internal Revenue from collecting a tax, and the judge held that there was nothing in the revenue act which gave him that right. It appears to me that this strikes a direct blow at the Board of Tax Appeals because if the Commissioner were to exercise his right, he could collect every single tax and therefore the Board would have no cases to hear because they cannot hear cases covering claims for refund. I wonder if Mr. Hamel

would care to touch upon that for a moment.

Mr. HAMEL. I think the decision Mr. Hecht refers to is the decision in the Garnau case. That was a very interesting decision. That was a case where the assessment was made prior to June 2 and the taxpayer had had the benefit of Section 250-D and apparently the case was closed. The taxpayer however, shortly prior to June 2, had asked for further consideration. The Commissioner did write a letter after June 2, a few weeks after, in which he discussed the merits of the case to some extent and decided that the tax should be paid. He reaffirmed his former decision.

Now the Board in that case held that it had jurisdiction on the ground that there was a determination after June 2, 1924 and that is the basis that the Board has been attempting to take jurisdiction on in all these cases. I think that is what Congress intended, that where there was anything done which had reference to the determination of the tax after June 2, that the Board should take jurisdiction without regard to whether or not there may have been an assessment prior to that time. Many of these cases are pending on claim in abatement where the case has been given no consideration at all and the Board has held that it has jurisdiction also in the ordinary claim in abatement case. But the Garnau case was a case that had actually been decided prior to June 2 and then reconsidered. It was hoped in the Garnau case that the court would discuss the jurisdiction of the Board. Every opportunity was given to the court to decide it but apparently the court took the ground that you could not restrain the collection of a tax.

It is hoped that we may yet get a decision from some federal court that will discuss the question of jurisdiction, whether or not Section 3224 wasn't by implication amended by Section 900 and the

other sections which relate to the jurisdiction of the Board. It is a very interesting situation but the reason I suggest the amendment of the act is that I think it should be made clear in whatever is done to the act this year that the Board has jurisdiction in all those cases that were pending on June 2, 1924 without regard to whether or not the tax had been assessed. Whether or not a claim for abatement is pending or whether it has been assessed is immaterial so far as the hardship is concerned. The thing Congress was trying to remedy was the hardship. Congress was trying to relieve the taxpayer of the necessity of going out and raising a large sum of money to pay his tax before he could have a judicial consideration of his case.

VISITORS IN WASHINGTON

October 1 to 29

Earl S. Clark, Providence, R. I.
 Frank Wilbur Main, Pittsburgh, Pa.
 Edward S. Elliott, Memphis, Tenn.
 A. M. Pullen, Richmond, Va.
 George M. Thompson, Los Angeles, Cal.
 Louis F. Tanner, Morgantown, W. Va.
 Elisha F. Nunan, Boston, Mass.
 George Vernon Whittle, Seattle, Wash.
 O. V. Wallin, Philadelphia, Pa.
 C. M. Grider, El Paso, Texas.
 P. F. Crowley, Lynn, Mass.
 C. R. Dawson, Atlanta, Ga.
 Harold Dudley Greeley, New York City.
 Edgar A. Ryerson, Memphis, Tenn.
 A. D. Lewis, Casper, Wyoming.
 Thomas H. Evans, Detroit, Mich.
 X. Bender Tansill, New York City.
 Arthur P. Klavans, Norfolk, Va.
 Stewart A. Steen, Norfolk, Va.
 J. S. M. Goodloe, New York City.
 J. W. Galloway, Chicago, Ill.
 William M. Raphael, New York City.
 William A. Hifner, Jr., Lexington, Ky.
 Jeremiah W. Robinson, Boise, Idaho.
 George K. Edler, Reno, Nevada.
 W. E. Baird, Kansas City, Mo.
 J. Ernest McLaughlin, Minneapolis, Minn.
 Samuel Kaplan, New York City.
 Edward J. Dowling, Pawhuska, Okla.
 D. W. Springer, Ann Arbor, Mich.
 J. B. Tanner, Chicago, Ill.
 Frank Wilbur Main, Pittsburgh, Pa.
 J. S. M. Goodloe, New York City.
 Homer A. Dunn, New York City.
 Harry E. Lunsford, Kansas City, Mo.

"We know a man so stingy that he talks through his nose to save wearing out his false teeth."—Mich. Gargoyles.

STATE SOCIETY NEWS

Colorado

At the meeting of the Colorado Society of Certified Public Accountants, held on September 30, the following officers were elected: President, re-elected, L. C. Linck, C. P. A.; Vice President, Leon Williams, C. P. A.; Secretary, F. Tillman Brownne, C. P. A.; Treasurer, Julius Von Tobel, C. P. A.

The following Directors were elected: L. C. Linck, C. P. A., Clem W. Collins, C. P. A., Wm. M. Trant, C. P. A., Leon E. Williams, C. P. A., Ralph B. Mayo, C. P. A., R. M. Crane, C. P. A., T. R. Young, C. P. A., Theo J. Witting, C. P. A., and F. M. Fancher, C. P. A.

The following Committee Chairmen have been appointed:

Program Committee, Wm. J. Thompson, C. P. A.

Public Relations Committee, T. H. Lawrence, C. P. A.

Legislative Committee, Wm. M. Trant, C. P. A.

Attendance Committee, F. M. Holmes, C. P. A.

Membership Committee, O. F. Counts, C. P. A.

Educational Committee, W. J. Thompson, C. P. A., Thomas Redington, C. P. A., and L. C. Linck, C. P. A.

Connecticut

On October 5, 1925, Hibbard N. Alexander, C. P. A., was admitted to fellow membership in The Connecticut Society of Certified Public Accountants.

The next meeting of the Society will be held in Hartford on December 4, 1925, at which time reports of the various committees will be heard.

Maine

The Maine Society of Certified Public Accountants met on October 15, 1925, at the Falmouth Hotel, Portland, Maine, at 6.30 p. m., at which time dinner was served.

Harry E. Baker, Manager of the National Cash Register Company,

and Fred B. Jordan, Manager of the Burroughs Adding Machine Company, were speakers of the evening.

Maryland

On July 1, 1925, the Maryland Association of Certified Public Accountants addressed a pamphlet to "Bankers and the Business Public" calling attention to certain provisions of the revised Maryland C. P. A. Law and giving a list of all members of the Maryland Association of Certified Public Accountants together with a list of firms represented in the Association's membership.

Michigan

The annual meeting and dinner of the Michigan Association of Certified Public Accountants was held in Detroit at the Hotel Statler on Thursday, October 1, 1925, at 6.30 p. m. There was a representative attendance of members of the Association and other C. P. A.'s in the State.

The various reports of the officers and committees evidenced the fact that the past year had been one of the most successful and satisfactory in the history of the organization, both in the matter of new members admitted and in the purposes accomplished.

Interesting reports of the annual convention of The American Society of Certified Public Accountants held at Richmond, Virginia, September 9, 10 and 11 were rendered by T. H. Evans, C. P. A., D. W. Springer, C. P. A., and L. C. Nielsen, C. P. A. F. A. Tilton, C. P. A., and J. Lee Boothe, C. P. A., also gave interesting accounts of the annual meeting of the American Institute of Accountants, held in Washington, D. C., on September 15, 16 and 17.

The Association passed a resolution of appreciation of the services of the retiring president, P. A. Kerr, who was completing five

years' service on the directorate of the Association.

The following officers were elected for the ensuing year: President, W. T. McConnell, C. P. A.; Vice-President, M. B. Walsh, C. P. A.; Secretary, Albert M. Colegrove, C. P. A.; Treasurer, Richard Fitzgerald, C. P. A.; Auditor, Walter V. Bernard, C. P. A.

Including the above named officers the Directors elected are as follows: Bernard N. Ward, C. P. A., F. C. Blomfield, C. P. A. and J. Lee Boothe, C. P. A.

New Jersey

The Society of Certified Public Accountants of the State of New Jersey held an all day meeting on October 6th, 1925, at the Robert Treat Hotel, Newark, N. J.

The morning session was taken up with a discussion of the question of regulatory legislation on accounting. The afternoon speakers were John T. Kennedy, President of the Benjamin Franklin University, Washington, D. C., and John Warren, former President of the New Jersey League of Building and Loan Associations. In the evening there were addresses by Charles M. Mason, referee in bankruptcy and president of the New Jersey Law School, Congressman Franklin W. Fort, and Homer S. Pace, C. P. A., President of the New York State Society of Certified Public Accountants.

At the Guest table at the dinner preceding the evening session were James F. Hughes, C. P. A., president of the New Jersey Society of Certified Public Accountants, who presided at the various sessions; James F. Welch, C. P. A., president of the New Jersey State Board of Public Accountants; William H. West, C. P. A., and A. P. Richardson, respectively president and secretary of the American Institute of Accountants; John B. Niven, C. P. A., president of the Board of Examiners of the American Institute of Accountants; Charles Hecht, Vice President of

the American Society of Certified Public Accountants, and John T. Madden, dean of the School of Commerce, Accounts and Finance of the New York University.

Arrangements were in charge of Julius Flinck, C. P. A., Secretary of the New Jersey Society.

Washington

At a recent meeting of the Spokane Society of Public Accountants, it was unanimously voted to transfer the activities of the Society to the Spokane chapter of the Washington Society of Certified Public Accountants.

At a recent weekly Friday luncheon meeting the following chapter officers were elected: President, R. J. Wortman, C. P. A.; Vice President, V. D. Allen, C. P. A.; Secretary-Treasurer, Howard S. Bell, C. P. A.

Wisconsin

The Wisconsin Society of Certified Public Accountants held its annual meeting on September 21, 1925, at the Milwaukee Athletic Club, Milwaukee. Preceding the business session dinner was enjoyed by those present.

The following officers and directors were elected: President, Carl Penner, C. P. A., Milwaukee; Vice-President, Shepard E. Barry, C. P. A., Milwaukee; Secretary-Treasurer, George Einbecker, C. P. A., Milwaukee; B. A. Kiehofer, C. P. A., Milwaukee; Hugo Kuechenmeister, C. P. A., Milwaukee; C. I. Smith, C. P. A., Green Bay; George T. Graham, C. P. A., Oshkosh. Samuel Weil, C. P. A., Milwaukee, was re-elected auditor.

The membership of the organization now consists of fifty Fellows and two Associates.

Attention was called to the work of the legislative committee of the Society relative to changes in the administrative features of the Wisconsin income tax law. Several of the changes urged by the Society were incorporated in the new law. An article discuss-

ing the changes was written by C. F. Sammond, C. P. A., a member of the legislative committee, and appeared in the October issue of The Certified Public Accountant.

ANNOUNCEMENTS

Philip Bernstein, C. P. A., Michael Feiring, C. P. A., and Barney Bernstein, L. L. B., C. P. A., announce the consolidation of their accounting practices and the formation of a co-partnership under the firm name of Bernstein & Feiring with offices at 1133 Broadway, New York City.

J. Austin Smith and Company, Louis R. Marais and Company, and Messrs. Mattison and Davey announce an arrangement whereby the accounting practice, in Texas, of each of the three firms will, from September first, be conducted from Houston under the name of Mattison and Davey.

Francis S. Lamb, C. P. A., and George T. Graham, C. P. A., practicing under the firm name of Lamb, Graham & Company, Certified Public Accountants, announce that Francis S. Lamb, C. P. A., has given up the practice of public accounting and withdrawn from the partnership to assume the duties of Sales Manager for the Buckstaff Company.

George T. Graham, C. P. A., will continue the practice of public accounting under the firm name of Lamb, Graham & Company, Certified Public Accountants, at 169 Main Street, Oshkosh, Wisconsin. There will be no changes in the organization, other than the withdrawal of Mr. Lamb, and he will still be available to Mr. Graham for consultation on such work as has been handled by him.

C. B. Mount, Jr., C. P. A., and J. F. Wells, announce the formation of a partnership for the general practice of accounting at Seven De Kalb Avenue, Albee Building, Brooklyn, N. Y., and

Wyoming

The Wyoming Society of Certified Public Accountants will hold its annual meeting on November 14, 1925.

Fifty Church Street, New York City.

Chas. H. Schnepfe, Jr., & Co., Certified Public Accountants, announce the removal of their offices to the Citizens National Bank Building, Baltimore, Md.

William B. Hatton, C. P. A., announces the opening of offices for the general practice of accountancy at 318 Thatcher Building, Pueblo, Colorado.

William B. Weaver and Lewis H. Allen, C. P. A., of Albrecht & Weaver, Inc., and Edwin E. Leffler, C. P. A., formerly Resident Manager of Haskins and Sells, announce the formation of a partnership for the general practice of accounting under the firm name of Weaver, Allen & Leffler, 1300 Genesee Building, Buffalo, N. Y., effective October 16, 1925.

Albrecht & Weaver, Inc., announces that its public accounting practice has been taken over by the firm of Weaver, Allen & Leffler, 1300 Genesee Building, Buffalo, N. Y., but that its industrial and production engineering services will be continued under the old name.

The firm of Hart & Bauer, Certified Public Accountants, announce the removal of their offices to 951-2 McCormick Building, 332 South Michigan Ave., Chicago, Ill.

James A. Caster, C. P. A., announces the opening of offices at 708 Lincoln Building, Los Angeles, California, for the purpose of conducting a general accounting practice.

Francis J. Dolezal, C. P. A., announces the opening of an office at

211 Commerce Building, Saint Paul, Minnesota.

William H. Kerman, C. P. A., and Leland J. Kerman, C. P. A., announce the formation of a partnership under the firm name of Kerman & Kerman, for the general practice of public accountancy, with offices at 602 Tri-State Building, Fort Wayne, Indiana.

Philip W. Cheslock, announces the removal of his offices to 1320-21 Munsey Building, Baltimore, Md.

W. F. Ostendorff, C. P. A., and W. F. Muckenfuss, C. P. A., announce the formation of a partnership for the practice of general accounting under the firm name of Ostendorff & Muckenfuss, Certified Public Accountants, with offices at 63 Broad Street, Charleston, S. C.

Charles H. Preston, C. P. A., announces the formation of a partnership with his former associates Rudolph H. Anderson, C. P. A., Raymond T. Schneider, C. P. A., and Earl A. Waldo, C. P. A., to continue in the practice of general accounting under the firm name of Charles H. Preston & Company, Certified Public Accountants, 606-610 Plymouth Building, Minneapolis, Minn.

Harold H. Bechtel, C. P. A., announces the removal of his office to Room 841 Boston Chamber of Commerce Building, 80 Federal Street, Boston, Mass.

William D. Jones, C. P. A., announces the removal of his offices to Suite 1934-1935 Roanoke Building, 11 So. La Salle Street, Chicago, Illinois.

M. G. Humphrey, C. P. A., announces the dissolution of the partnership of Swisher, Humphrey & Co., Certified Public Accountants, with offices in the First National Bank Building, Hammond, Indiana. Mr. Humphrey has taken the position as Dean of the School of

Commerce at Valparaiso University, Valparaiso, Indiana. It will be of interest to note that this school was recently purchased by the Lutheran organization.

Samuel W. Lerer, C. P. A., announces that he is engaged in the general practice of accountancy at 217 Broadway, New York City.

Brown, Haber, Geller & Co., have opened offices at 1270 Broadway, New York City.

John L. Ricker, C. P. A., Thomas W. Rogers, C. P. A., Herman Oescher and John V. Montgomery announce the formation of a part-

nership for the practice of accounting under the firm name of Ricker, Rogers & Montgomery, Franklin Trust Building, Philadelphia, Pa., as of October 1, 1925.

William A. Hauptman, C. P. A., announces the removal of his office to 411 Majestic Building, Columbus, Ohio.

The Joseph N. Tropp Company announces the removal of its offices to 291 Broadway, New York City.

Donald E. Currier and Company, Certified Public Accountants, announce the removal of their offices to 58 East Washington Street, Chicago, Illinois.

NEW YORK STATE SOCIETY MEETS

PURSUING the policy adopted two years ago of ushering in the fall and winter activities by an all day conference, the New York State Society of Certified Public Accountants met at the Waldorf-Astoria Hotel on Wednesday, October 14, 1925. This was the first of these conferences which the Secretary of the American Society has had the privilege of attending.

This State Society has grown so in membership and broadened its scope of work to such an extent that it became necessary, in order to cover the activities of the Society, to hold an all day session rather than have night meetings as was the practice in prior years.

To one accustomed to attending the meetings of small state societies, where the total membership is less than a hundred, a visit to the all day conference of the New York State Society was a revelation. This society, with nearly a thousand members, has meetings of its members at which the attendance is larger than the attendance at the annual meetings of either The American Society of Certified Public Accountants or the American Institute of Accountants.

Several years ago the practice

was inaugurated of assigning every member of the society to work on some technical committee and to that end forty-four committees have been appointed.

This indicates that the New York State Society has an ambitious program indeed. Due to the compactness of its membership, from the standpoint of residence, its committees are able to function with a higher degree of efficiency than probably would be the case in any other place in the United States.

At this meeting on the 14th, Mr. P. W. R. Glover, Chairman of the Legislation Committee, which is one of the standing committees, gave a splendid account of the activities of the Society in support of the Phelps-Downing bill during the past session of the General Assembly. The bill, which was designed to completely regulate the public accounting practice in the State of New York, was passed by the Assembly but did not come up in the Senate, and was therefore lost.

Mr. Orrin R. Judd, Chairman of the Committee on Income Tax—Federal and State—made a report which showed that the committee had been hard at work compiling

data to support recommendations which would be made to the Ways and Means Committee of Congress. The report, containing a list of recommended changes and modifications of the present Federal income tax law, was referred to the Board of Directors for consideration and approval of such recommendations as would be presented to the Congress.

At two o'clock in the afternoon the meeting listened to a very profitable address by Hon. J. Gilmer Korner, Chairman of the U. S. Board of Tax Appeals. Mr. Korner's address dealt primarily with the attitude of the certified public accountant in presenting cases to the Board of Tax Appeals and he analyzed at some length the problems that have arisen by reason of the code of ethics adhered to by certified public accountants in the matter of advocacy.

The meeting also had the pleasure of listening to a very interesting address on "Reciprocal Inheritance Tax Legislation" delivered by Hon. Seth T. Cole, Deputy State Tax Commissioner of New York.

At the evening session Hon. Francis A. Winslow, Judge of the United States District Court for the Southern District of New York, delivered a very instructive address on "The Relation of the Work of Certified Public Accountants to the Courts in Bankruptcy Cases." After his address Mr. W. F. Weiss, Chairman of the Committee on Bankruptcy and Receivers' Accounting, rendered his report which brought about a lengthy and interesting discussion on this very important question.

A visitor at these meetings can not help but congratulate the New York State Society on the very efficient manner in which the meet-

ings are conducted and the affairs of the Society administered by the president, Mr. Homer S. Pace.

WANT ADS

WILL PURCHASE ACCOUNTING

PRACTICE—Certified Public Accountant of Pennsylvania desires to purchase Public Accounting Practice in the vicinity of Philadelphia. Please state number of clients, approximate yearly fees, price desired, terms and length of time willing to remain with business.—Box 119.

CERTIFIED PUBLIC ACCOUNTANT

(Pa.)—Desires to merge practice with one or more Certified or Non-Certified Public Accountants.—Box 120.

CERTIFIED PUBLIC ACCOUNTANT

(Pa.)—Would like to hear from Public Accountants in or near Philadelphia (small or large practice) who are interested in an associated proposition.—Box 121.

CERTIFIED PUBLIC ACCOUNTANT

(Ind.)—Desires permanent connection. Industrial, commercial or public. Industrial executive and managerial experience. Public practice, two years. Highest grade, field auditor, Income Tax Unit, three and one-half years. Will go anywhere. Protestant. Married. 32 years. Present employment in Penna. Qualified to open and manage branch. Salary \$4,500.00. Address—Box 122, care of The Certified Public Accountant.

MIDLERS OR SEMI-SENIORS—A

large public accounting firm has opportunities for two midlers or semi-seniors in Chicago and possibly similar openings at other offices. Would like to receive applications from college graduates who have had considerable general accounting experience in medium-sized manufacturing plants and two or more years public accounting experience, combined with some systematic study or training for the C. P. A. degree.

In reply state age, what schools or colleges attended, whether married or single, and give complete chronological outline of business and professional experience. References may come later. Replies will be received in confidence and no inquiries made of present employers without express permission.—Box 123, The Certified Public Accountant,

MEMBERSHIP OF THE AMERICAN SOCIETY

(Continued from our October issue)
(Members recorded October 1 to 28)

Clarence H. Koebbe, 1804 First National Bank Bldg., Detroit, Mich.

Horace G. Brubaker, 2209 East Eighth Street, Charlotte, N. C.

George Richard Foddy, Jr., 7 Dey Street, New York City.

Benjamin Yulsman, 1000 City Centre Bldg., Philadelphia, Pa.

Guy G. Connelly, C. P. A., United States National Bank Bldg., Denver, Colo.

Maurice J. Creamer, 737 Citizens National Bank Bldg., Los Angeles, Calif.

George R. Poole, care of A. Lee Rawlings & Co., Norfolk, Va.

John S. Glenn, 504 Stahlman Bldg., Nashville, Tenn.

Thomas W. Rogers, 2215 North 22nd St., Philadelphia, Pa.

Keith Scott, care of Paige-Detroit Motor Car Co., Detroit, Mich.

C. Edwin Oyster, 1309-1312 Pacific Southwest Bldg., Fresno, Calif.

Amos L. Moreton, Security Bldg., Los Angeles, Calif.

Hamilton Howard, 110 William St., New York City.

Robert Wilson, 502-4 Messick Bldg., Memphis, Tenn.

Harold C. Utley, 1101-2 Grand Rapids Savings Bank Bldg, Grand Rapids, Mich.

C. M. Laux, 321 Prospect Ave., N. E., Grand Rapids, Mich.

Guy L. Langton, Paulsen Bldg., Spokane, Wash.

Greeley Andrew Connatser, P. O. Box 1048, Knoxville, Tenn.

Leroy A. Buckingham, 152 Temple St., New Haven, Conn.

Douglas S. Meaden, 801 Swetland Building, Cleveland, Ohio.

Edward B. Clarke, Fayette Title & Trust Bldg., Uniontown, Pa.

Edward L. Benton, 1302 Trust Company Bldg., Milwaukee, Wis.

James W. Bartrop, 937 Dime Bank Bldg., Detroit, Mich.

Arthur Bertram Bolte, 22 South Tenth St., Minneapolis, Minn.

John J. Ahrendtsen, 174 Juan Luna, Manila, P. I.

William E. Plumb, 226 Norton St., New Haven Conn.

Edward Joseph Filbey, 710 Michigan Ave., Urbana, Ill.

Joseph H. Mueller, 1028 First National Bank Bldg., Chicago, Ill.

Valentine Pearson, 1028 First National Bank Bldg., Chicago, Ill.

Paul J. Richards, 64 Luzerne Ave., Hollis, N. Y.

Lewis L. Rutarsey, 1828 Hastings St., Chicago, Ill.

Eschol E. Parsons, P. O. Box No. 2151, Tulsa, Okla.

Forrest Erwin Ferguson, 673-6 Q', Neil Bldg., Binghamton, N. Y.

(To be continued)

The Washington Hotel

WASHINGTON, D. C.

Pennsylvania Avenue opposite
United States Treasury

Every Room with Bath, Tub, and
Shower

HEADQUARTERS
Certified Public Accountants

S. E. Bonneville, Manager.

I. T. I.



I. T. I.

The only full INDEX to every official authority on federal income taxes—locates *instantly* Laws, Regulations, Rulings, T. D.'s, Court Cases, and Decisions of Board of Tax Appeals.

Small initial cost—nominal for upkeep.

Income Tax Index Service, Inc.
9-15 Clinton St.
Newark, New Jersey.

STANDARD APPRAISALS

Recognized Authority on Valuation
Problems

Experts in All Lines

Standard Appraisal Company
90 John Street, New York
Branches, All Principal Cities.

The Accountants' Directory and Who's Who

IT IS AN invaluable source of reference. It shows who is practicing, who is certified, who is a member of the American Society of Certified Public Accountants and of the American Institute of Accountancy.

The entire list of 8,690 accountants was checked with the aid of State Boards, State Societies and the American Society of Certified Public Accountants.

It is divided into the following complete sections:

1. Geographical (by state and town).
2. Who's Who Section with biographies of 3,428 Certified Public Accountants.
3. State Board lists of Certified Public Accountants by numbers.
4. State Board Officers.
5. Officers of American Institute of Accountants.
6. Officers of American Society of Certified Public Accountants.
7. Alphabetical List of 8,690 names appearing in the volume.

"It is," says Alexander J. Shields, New York, "a wonderful aid to the accountant." Arthur Wright, LL. M., C. P. A., of Utica, wrote, "A very fine book, well compiled and brought together as a reference book"; and A. C. Upleger, C. P. A., of Waco, Tex., said, "This book is covering a long felt want and I would not be without it."

The Who's Who section gives a biography of the men listed. Over two years were spent in compiling and checking this information. The Directory is handsomely and strongly bound.

885 Pages, 6x9 inches.....\$10

PRENTICE-HALL, INC.
70 Fifth Avenue New York

PRENTICE-HALL, INC., 70 Fifth Avenue New York City:
You may send me a copy of the "Accountant's Directory and Who's Who," cost \$10, payable upon receipt.

Name
Firm
Address

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 6

DECEMBER, 1925

20 CENTS THE COPY
\$2.00 PER YEAR

“If a man empties his
purse into his head, no
man can take it away from
him. An investment in
knowledge always pays
the best interest.”

—*Benjamin Franklin*

DEVOTED TO THE INTERESTS OF THE C. P. A., HIS CLIENT, AND THE PUBLIC WELFARE

The Washington Hotel

WASHINGTON, D. C.

Pennsylvania Avenue opposite
United States Treasury

Every Room with Bath, Tub, and
Shower

HEADQUARTERS
Certified Public Accountants

S. E. Bonneville, Manager.

I. T. I.



I. T. I.

The only full INDEX to every official authority on federal income taxes—locates *instantly* Laws, Regulations, Rulings, T. D.'s, Court Cases, and Decisions of Board of Tax Appeals.

Small initial cost—nominal for upkeep.

Income Tax Index Service, Inc.
9-15 Clinton St.
Newark, New Jersey.

STANDARD APPRAISALS

Recognized Authority on Valuation Problems

Experts in All Lines

Standard Appraisal Company
90 John Street, New York
Branches, All Principal Cities.

The Accountants' Directory and Who's Who

IT IS AN invaluable source of reference. It shows who is practicing, who is certified, who is a member of the American Society of Certified Public Accountants and of the American Institute of Accountants.

The entire list of 8,690 accountants was checked with the aid of State Boards, State Societies and the American Society of Certified Public Accountants.

It is divided into the following complete sections:

1. Geographical (by state and town).
2. Who's Who Section with biographies of 3,428 Certified Public Accountants.
3. State Board lists of Certified Public Accountants by numbers.
4. State Board Members.
5. Officers of American Institute of Accountants.
6. Officers of American Society of Certified Public Accountants.
7. Alphabetical List of 8,690 names appearing in the volume.

"It is," says Alexander J. Shields, New York, "a wonderful aid to the accountant." Arthur Wright, LL. M., C. P. A., of Utica, wrote, "A very fine book, well compiled and brought together as a reference book"; and A. C. Upleger, C. P. A., of Waco, Tex., said, "This book is covering a long felt want and I would not be without it."

The Who's Who section gives a biography of the men listed. Over two years were spent in compiling and checking this information. The Directory is handsomely and strongly bound.

885 Pages, 6x9 inches.....\$10

PRENTICE-HALL, INC.

70 Fifth Avenue

New York

PRENTICE-HALL, INC., 70 Fifth Avenue New York City:

You may send me a copy of the "Accountant's Directory and Who's Who," cost \$10, payable upon receipt.

Name

Firm

Address

THE CERTIFIED PUBLIC ACCOUNTANT

OFFICIAL ORGAN OF THE AMERICAN SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VOLUME V
NUMBER 6

DECEMBER, 1925

20 CENTS THE COPY
\$2.00 PER YEAR



WE FIND THAT—

The following State Boards of Accountancy prepare and grade C. P. A. examination questions without outside assistance: Massachusetts, Connecticut, New York, New Jersey, Pennsylvania, Maryland, Virginia, North Carolina, Georgia, Tennessee, Kentucky, Ohio, Michigan, Illinois, Wisconsin, Minnesota, Oklahoma and the Board of Accountancy of the District of Columbia.

The California State Society of Certified Public Accountants is very active in efforts to increase its membership, having recently admitted over fifty members at one time.

Of the 219 C. P. A.'s of New Hampshire who reside outside of that State and who do not hold a certificate of the State of residence, 143 are residents of New York and 37 are residents of Massachusetts.

Of the 147 C. P. A.'s residing in the District of Columbia, on September 1, 1925, 117 do not hold District of Columbia C. P. A. certificates.

About 75 per cent of the members of the American Society of Certified Public Accountants hold C. P. A. certificates of the State of their residence and about 25 per cent hold C. P. A. certificates of States other than their residence.

The certified public accountants of Minnesota are taking steps to revive the activities of the Minnesota Society of Public Accountants, which organization has been inactive since 1922.

On the Pittsburgh staff of Main & Company there are nineteen certified public accountants, all of whom are members of The American Society of Certified Public Accountants.

According to our records for the year 1924 the State Board of Certified Public Accountant Examiners of New York issued 19 per cent of the total C. P. A. certi-

cates issued in the United States as a result of examinations.

The Indiana State Board of Certified Public Accountants issued in the year 1924, according to our records, 10 per cent of the total C. P. A. certificates issued as a result of examinations during that year.

For details of figures shown in the above comments see pages 164 and 165 of this issue.

CONTENTS

	Page.
Editorials:	
"Institute's Own Standard".....	150
By Frank Wilbur Main	
"Our Relations to the Public Accountant".....	151
By Frank Wilbur Main	
State Society News.....	152
"Combined Practice of Accounting and Law".....	154
By B. L. Klooster, C. P. A.	
The American Society and the American Institute.....	157
(Discussion at Richmond Convention)	
Solution to Problem—Maryland Questions.....	162
Table Showing Certificate Under Which C. P. A.'s Practice.....	164
"Some Accomplishments of the Federal Reserve System".....	166
By Charles A. Peple, C. P. A.	
C. P. A. Examination Questions—Oklahoma.....	170
Report of Committee on Code of Ethics.....	175
Announcements	177
State Board News.....	178

THE CERTIFIED PUBLIC ACCOUNTANT

The Official Organ of
The American Society of Certified Public Accountants

Published by The American Society of Certified Public Accountants, Woodward Building, Washington, D. C.

Editor: WILBUR L. HARRISON
Business Manager: F. S. CHAPPELL

Subscription price per year of twelve issues, \$2.00; twenty cents the copy.

All communications should be addressed to the Editor.
Printed by the Terminal Press, Inc., 923 Eleventh Street N. W., Washington, D. C.

"INSTITUTE'S OWN STANDARD"

THE NOVEMBER issue of "The Journal of Accountancy" contains an editorial which is a funeral sermon at the grave of the idea that the Institute should "limit" membership to holders of the C. P. A. certificate. This editorial is exceptionally well written, intended to be moderate in tone and entitled to careful consideration by all interested in the subject. The reasons given for the burial are three in number:

(1) Recent legislation has established that a standard based upon or subject to control "by political exigency" is like a house built on quicksand.

(2) The profession can best be regulated by itself.

(3) Accounting is interstate in character. As there is no uniformity in standards throughout the states and territories the authority to give adequate recognition to those persons in whom the public can rely as adhering to the highest professional ideas must be vested in the profession itself.

The purposes to be served by the Institute are, as there stated, to create respect for the certificate C. P. A.—to encourage proper legislation—assist in the administration of C. P. A. legislation and "—fostering the good name of the certified public accountant."

With the purposes as above stated, the American Society is and always has been in hearty accord. The method adopted has, however, not only given rise to an honest difference of opinion but has resulted in two national associations where, if there can be but one right way, there should be but a single organization. We believe that two men can walk the same road to a fixed destination and that one can, by reason of a stiff neck or because he fixes his eye on a star, stumble and fall while the other who keeps one eye to the ground will arrive quicker and in better physical condition to do the work there to be found.

Now as to the undermining of the C. P. A. certificate

by recent legislation. We are not afraid for the future. We believe that the public have and will continue to recognize the certificate of Certified Public Accountant as it never has and never will recognize the degree "Institute" member. We are not ready, if we were able and we are not, to take from State legislatures the power to say to the citizens who shall be so recognized and how and abrogate this power unto ourselves. The right of the public to fix our position and privileges, rightly or wrongly used, is, in a republic, paramount. The Journal of Accountancy editorial runs from a shadow because it recognizes that 29 years of effort in building up the status of the C. P. A. certificate in the public mind is not yet lost. To quote, it can not be utterly destroyed "by the caprice of a few legislatures." Even in those states where damage has been done we can look "for a return to sanity."

Now as to the argument that the profession can best be regulated by itself. What is meant by "profession"? If membership in the "Institute" is meant, then it can be likened to a trade union that limits its own members at first for altruistic purposes but slowly and surely from selfish motives. If by "regulation" but moral persuasion is meant, then how can we influence the ignorant certificate holder from the less progressive states if we close the doors of the "profession" to him.

As to the interstate character of accountancy—Granted—The same is true of law, yet who ever heard of admitting to a bar association a person who was not a lawyer by compliance with State legislation. To be consistent the Institute should advocate a national act for the national certificate. We venture the prophecy that the same objections would be made to membership based on such a certificate as are now made to the State conferred one. Back of the whole proposition is, we fear, the desire to create and exalt a super degree controlled, as to the future, entirely by those already in and an intention, in spite of pious wishes to the contrary, to make the title C. P. A. less paramount in the eyes of the public. This notwithstanding the avowed purpose of "—fostering the good name of the Certified Public Accountant."

The Journal editorial throughout speaks as if a membership based on a C. P. A. certificate will be to "restrict" membership. To quote once more, "Among the many important matters under discussion—was the proposal that membership in the American Institute of Accountants should be restricted to certified public accountants." In our association where this so-called "restricted" policy has always been in force we increased our membership an average of 58 per cent the past three years and we are not yet done. We work, except as to recognition of a super title, for the same avowed purposes and toward the same end as does the Institute but we do not seek to abrogate to ourselves power that now belongs, and we

believe rightfully so, to the legislative bodies of our respective States. In the days to come but one certificate will be paramount and that will be as is the case with the older professions of law and medicine, the legal and not the self-conferred one. We will seek to remedy wrong laws by legal reform but we will not serve two masters. All of our strength and all of our energy will go to strengthen public confidence in the legal certificate of C. P. A., and the writer believes that for many years to come there will be in our profession room for no other certificate.

FRANK WILBUR MAIN.

OUR RELATIONS TO THE PUBLIC ACCOUNTANT

THE relationship of the certified public accountant to the public accountant now seems to be the most important problem confronting our profession.

The American Society was brought into being through one phase of the public accountant question, namely, the necessity of curbing the activities of the National Association of Certified Public Accountants. The American Institute presents another phase of the public accountant question, its non-certified members representing perhaps the other end of the scale. One of the pressing issues before the American Institute has been the attempt to limit the future membership to certified public accountants. This has been consistently voted down.

Through the regulation of the public accountants in certain States and the official status given the "Public Accountant" in Illinois, we have still another phase of this same question.

Our relations to the public accountant at the present time probably will be predicated upon our conception of the part which the certified public accountants' practice will take in the future in relation to the entire accounting work of the country and our appraisal of the confidence which the public generally will place upon the work of the certified public accountant.

The first point to be considered therefore is the relationship of the certified public accountant to the whole field of public accounting. Certainly the practice of the modern certified public accountant is far-reaching and extensive. In none of his activities, however, has he the monopoly that the ordinary professional man has.

Take, for instance, auditing, which is his most distinctive work. In addition to the practice of the certified public accountant there is the practice of the non-certified member of the American Institute, to say nothing of the practice of many other capable public accountants. Even if the work of all these practitioners were added together, it would only cover a comparatively small part of the auditing which is performed. Practically every large corporation, including the railroads, maintain staffs of traveling

auditors and special auditors who do genuine auditing work in their more or less limited fields. The Federal Government, the State governments, and the Municipalities maintain also large staffs of auditors who are constantly at work. The total number of traveling auditors, revenue agents, public utility examiners and special auditors run into the tens of thousands.

These privately employed accountants can be compared to the lawyers and doctors employed privately by the same institutions, yet the same privately employed lawyers and doctors have met the requirements of their professions and are licensed by their respective states.

With the tens of thousands of men and women attending the more than one hundred schools of accounts, economics and finance, practically all of whom are devoting at least part of their time to accounting, it is apparent that the certified public accountant should give thought and effort toward directing their footsteps along professional lines.

The certified public accountant, while he is outnumbered in the field of general accounting, does occupy a very important and an enviable position in that field, and, beyond question, he occupies the leading position in public accounting. As a crude comparison, he may be likened to the major league baseball player. Every small community has its sand-lot team and every slightly larger community has its semi-professional baseball teams, to say nothing of all of the semi-minor and minor league teams. The major league player graduates from the ranks of the sand lots, the semi-professional teams and the minor league teams. There probably are many non-certified accountants and auditors in both private and public practice who equal in ability the average certified public accountant. To become a certified public accountant is, however, the goal and ambition of most accountants, in the same sense as most sand lot and minor league players look forward to becoming major league players.

It is therefore self-evident that only in a limited way and in a very narrow sense will the certified public accountant ever be able to completely dominate the general accounting field.

As to the importance which the public places upon the work of the certified public accountant, this writer believes that we have a tendency to over-rate our own standing and our own importance. Many successful business men and important financial leaders look upon the services of a certified public accountant, or public accountant for that matter, in very much the same light as they look upon the service of an appraisal company. They appreciate that in floating securities and issuing annual statements where the capital stock is widely distributed, the balance sheet should have the certificate of a firm of public accountants, preferably certified public accountants. Most of the work done for large corporations is in the nature of balance-sheet audits. When it comes to

constructive accounting work or advice along accounting lines, these same men will often tell you that they have been depending upon services of other than public accountants. A large part of this constructive work is performed by members of their own staffs and organizations.

Among the small-sized concerns there is a greater amount of appreciation of the constructive value of the services of the certified public accountant than among any other group of business men. Yet neither the business men nor the public have any adequate conception of the work of the certified public accountant or of its genuine importance. There is, therefore, nothing that we can do that would help our profession more than to educate the public, not as to the value of balance-sheet audits but rather to the value of constructive accounting services by certified public accountants.

The purpose of this editorial is not to present a solution as to the problem of the relationship of the certified public accountant to the public accountant, but rather to set out the status of the certified public accountant in relation to the entire accounting field, with the hope that we will thus encourage discussion of this important question.

FRANK WILBUR MAIN.

SECRETARY HARRISON STILL IN WEST

As this section goes to press, November 27, Secretary Harrison is still on his Western trip.

Our January issue will carry his report of the meetings which have been held in the various cities he has visited.

State Society News

Connecticut

The Connecticut Society of Certified Public Accountants will meet on December 4, 1925, at the Hartford Club, Hartford, Conn., at 6.00 p. m., for the purpose of receiving and acting upon reports of committees.

Georgia

A special meeting of the Georgia Society of Certified Public Accountants was held at 12.30 p. m. on Saturday, November 7, 1925, in the dining room of the Kimball House, Atlanta.

The meeting was devoted primarily to a discussion of the report of a Special Committee on Constitution and By-Laws. Such changes as were agreed upon will be voted on at the next regular meeting of the Society.

The annual meeting of the Georgia Society of Certified Public Accountants was held on November 28, 1925.

Iowa

The annual meeting of the Iowa Society of Certified Public Accountants was held on October 10, 1925, at which time the following officers were elected: President, P. L. Billings, C. P. A.; Vice President, I. B. McGlandry; Treasurer,

George Parker, C. P. A.; Secretary, E. J. Wiedman, C. P. A.; Trustees, H. N. Holdsworth, C. P. A., A. H. Hammarstrom, C. P. A., Francis J. Harrigan, C. P. A.

Missouri

The Kansas City Chapter of the Missouri Society of Certified Public Accountants held its regular monthly meeting on November 2, 1925, at the Mid-Day Club, Commerce Building, at 8.00 p. m.

Mississippi

The annual meeting of the Mississippi Society of Certified Public Accountants was held in Jackson, Miss., on November 16.

This meeting is considered the best in point of numbers and interest since the organization of the Society in 1920. One of the outstanding topics under discussion was the enforcement of the Rules of Professional Conduct as recently adopted by the State Board of Accountancy. The Society was unanimous in its approval of these rules and not only favored their strict enforcement but the enforcement of their own Code of Ethics. The officers of the Society elected for the ensuing year are: President, L. A. Williams, C. P. A., Greenwood; vice president, Nelson E,

Taylor, C. P. A., Greenwood; secretary, J. A. Rogers, C. P. A., Jackson; treasurer, J. D. Meadows, C. P. A., Meridian.

North Carolina

The North Carolina Association of Certified Public Accountants held its annual meeting on November 9 and 10, 1925, at the Hotel Charlotte, Charlotte, N. C.

The morning sessions were devoted to business while delightful entertainment was arranged for the afternoons. The meeting concluded with a banquet at the Manufacturers' Club on the evening of the 10th.

On Wednesday, November the 11th, the Charlotte members entertained the members throughout the State and guests from Virginia and South Carolina at the Speedway Races.

Pennsylvania

The first meeting of the Pennsylvania Institute of Certified Public Accountants for the season 1925-1926 was held at the Manufacturers' Club, Philadelphia, on the evening of October 19, 1925, with about forty or fifty members present.

After the disposal of the regular business routine the members lis-

tened to an interesting discourse on the subject "The Advertising Budget" by Major I. D. Carson of the firm of N. W. Ayer & Son, Advertising Agents. Major Carson was well conversant with his subject and presented several phases of advertising which were very interesting and probably new to most of those present.

The Pennsylvania Institute of Certified Public Accountants held a banquet on Wednesday evening, November 18, 1925, at 7 o'clock, at the Manufacturers' Club, Philadelphia.

Theodore J. Grayson, Esq., spoke on "The Relation of the Educator to the Accountant," followed by Francis Harvey Green, Litt. D., whose subject was "Together." Milton Harold Nichols, D. D., gave reminiscences of James Whitcomb Riley. Mr. William M. Lybrand acted as toastmaster.

Rhode Island

The Rhode Island Society of Certified Public Accountants held its first regular meeting of the season at the Providence Biltmore Hotel on Monday evening, October 26, 1925.

President George B. Clegg presided over a full gathering of the members. After dinner, Mr. Albert R. Plant, President of the Blackstone Canal National Bank, representing the local chapter of the American Bankers Association, addressed the meeting at some length on "The Federal Reserve System." The meeting was then thrown open for discussion.

The Chairman of the Committee on Public Affairs briefly outlined a proposed plan of publicity in which the members acquiesced.

South Carolina

The South Carolina Association of Certified Public Accountants held its annual meeting in Columbia, S. C., on October 20 and 21, 1925.

The afternoon session was devoted almost exclusively to the hearing of committee reports: N.

E. Derrick, C. P. A., Columbia, for the Committee on Publicity; George E. Olson, C. P. A., of the University of South Carolina, for the Committee on Education; A. C. Clarkson, C. P. A., of Columbia, for the Committee on the Constitution; H. S. Blanton, C. P. A., of Spartanburg, for the Program Committee; L. A. Searson, C. P. A., of Columbia, for the Legislative Committee. An interesting paper on the South Carolina law relative to certified public accountants was read by L. L. Wilkinson, C. P. A., Secretary of the South Carolina State Board of Examiners of Certified Public Accountants.

The meeting was brought to a close with a banquet on the evening of the 21st at the Masonic Temple with some forty persons in attendance. Addresses were made by W. R. Bradley, director of the Income Tax Division of the State Tax Commission, who discussed taxes in general. J. Pope Matthews, chairman of the board of directors of the American Bank & Trust Company at Columbia spoke on "The Rewards of Efficiency." Major John F. Jones, federal collector of internal revenue for South Carolina, talked on income taxes and the co-operation rendered his office by public accountants of South Carolina.

The following officers were elected for the ensuing year: President, O. P. Burke, C. P. A., Columbia; Vice President, Oscar W. Schleeter, C. P. A., Charleston; N. E. Derrick, C. P. A., Columbia, was elected Secretary-Treasurer to succeed himself.

Texas

The Texas State Society of Certified Public Accountants met in Dallas, Tex., on the 13th and 14th of November, in annual meeting.

In view of the death of the secretary, C. E. Scales, the Society decided to omit the annual banquet. A paper was read by George Armistead on "Municipal Accounting." J. E. Hutchinson read an article which had been prepared by Mr. Scales on the subject of "Deprecia-

tion" and W. P. Peter read an article on Professional Conduct.

The Society endorsed the action of the New York State Society of Certified Public Accountants in appearing before the Ways and Means Committee of the House of Representatives. They voted to protest any action of Congress to resolve the Board of Tax Appeals into a regularly constituted Court, and protested the State Inheritance Tax in its present form.

Officers were elected for the ensuing year as follows: President, Luke Garvin, Dallas; vice president, A. E. Myles, Wichita Falls; secretary-treasurer, J. E. Hutchinson, Dallas; executive committee, A. C. Upleger, Waco, and J. R. Nelson, Dallas.

Wyoming

The annual meeting of the Wyoming Society of Certified Public Accountants was held on Saturday, November 14, 1925, at 1.30 p. m., at the Townsend Hotel. This meeting was followed by the annual banquet of the Society at 6.30.

Papers were presented by E. D. Hiskey, of Laramie, whose subject was "Bank Audits"; J. D. Hart, "Income Taxes"; W. B. Merrill, "Auditing of Community Chests and Philanthropic Societies"; Charles S. Chapin, "Assisting of Correspondence Students"; W. S. Doane, "Municipal Auditing"; and A. H. McDougall, who spoke on "Business Cooperation."

C. H. Reimerth, C. P. A., Casper, was re-elected president. Other officers were elected as follows: Byron S. Huie, C. P. A., Douglas, vice president; A. H. McDougall, Rawlins, secretary-treasurer; and Ralph B. Carpenter, Casper, auditor.

William Clabaugh, C. P. A., of Washington, D. C., has been named chairman of a subcommittee on estimates functioning under the executive committee in charge of the drive for \$250,000 to build and equip a new Boys' Club of Washington.

Combined Practice of Accounting and Law

THE advent and exodus of the excess profits tax seem to have influenced accountants to study law, and lawyers to study accounting, each individual expecting thereby to benefit his profession and his own capacities for service. Whereas this is true particularly of the younger generation of aspiring professional men, many older heads, after careful consideration, have deemed it wise to fill their quivers with arrows of their brother profession.

The professions of accounting and law are not alone in their overlapping. Mr. Harry R. Wellman, writing in the "Nation's Business" for November, 1925, says:

"—there are too many banks, brokers, bond houses and others, and as happens in all other business when it becomes over-produced and over-competitive, they are all trying to do the same job. It started with the idea of "service," just as other extra sales efforts started. Each unit added a service feature as soon as it was advertised by a competitor. The result is that, functionally, it would be hard to distinguish between a bond house and a bank, a regular broker or a bank vice president.

"On the more practical side, however, by this extension into other fields, the bank is taking the normal profits of the bond house, and the bond house is taking the normal profits of the bank. Too many of them are trying to do the same thing—to absorb all the functions of bank, bond house, investment broker and plain broker, in one firm. In the light of their prompt and continuous criticism of sales and production methods, this is indeed somewhat humorous."

On the one hand, we seem to be living in an age of intense specialization. On the other hand, particularly among the professions and quasi-professions, we find a tendency to spread out and cover more learning and functions than have heretofore been regarded as necessary. Those who can not keep pace with the advance in present-day professional or business attainments, dismiss the matter with

By B. L. KLOOSTER, Ph. B., C. P. A.,
Attorney at Law, of M. S. Kuhns &
Co., Certified Public Accountants.

EDITORS' NOTE—At last we seem to have a subject that interests our readers enough to cause some of them to take "pen in hand." Suppose "call typewriter into service" would be more correct. Please remember that the views expressed in these articles are the individual views of the authors, for which we accept no responsibility.

Who is ready to answer the specific questions on ethics proposed in Mr. Ruslander's article in our September issue?—EDITORS.

a jest, or vociferously denounce the further advancement of professional standards in order to prop up their own crumbling foundations.

Before we attempt to dissuade the accountant from studying law and the lawyer from studying accounting, perhaps it would be well to consider whether the two professions may be practiced by the same individual.

When a lawyer graduates from law school, he has a general knowledge of certain subjects in law which ought to enable him to pass a State bar examination. A knowledge of new subjects of law which have grown out of our modern complex economic situation during the last century or two is not required in obtaining a license to practice law. After a few years of law discovery, the lawyer finds himself practicing in some special field concerning which he received little or no information while he was studying in a law school. Thus he specializes in the workmen's compensation act, or income tax law, or bankruptcy proceedings, or blue sky law, etc. Other legal specialties will occur to the reader.

A referee in bankruptcy, to a large extent, must deal with the verification of assets and liabilities of a bankrupt and might almost be

said to practice the accounting branch of law. Probate court practice involves appraising the property of a deceased person, and while it usually requires a knowledge of wills, it only occasionally delves into the general fields of law. This, too, is a sort of accounting practice. And when the equitable remedy of an accounting is granted a petitioner, the jurist must deal with all the intricate mesh-work of technical accounting.

Within the law firms themselves, is great specialization. Perhaps in a firm of several members, only one of the attorneys is engaged in actual court practice, involving pleading and swaying the emotions of a jury, while he keeps his testimony and documents within the limits prescribed by the rules of evidence. Some law firms seldom, or never, appear in court. In fact, an attorney is considered exceedingly skillful if he can secure a settlement of his case out of court. Thus a modern corporation lawyer seldom enters a court of law. He consults with counsel for the opposite party. The attorneys sit down and talk the matter over, each yields a little and before long they reach a decision which their clients are happy to adopt. This settling of a dispute out of court, although a sort of arbitration, nevertheless involves the fundamental principles of law, and usually requires the training of attorneys. Clients are always pleased to be spared paying unnecessary court costs.

These facts indicate that more lawyers are practicing law outside than inside of courts, and that some branches of law can profit by a thorough knowledge of accounting.

The education of a Certified Public Accountant includes commercial law, which constitutes at least one-fourth of his accounting training. Examinations for the certificate of Certified Public Accountant gen-

erally devote almost one-fourth of the examination time to commercial law. Of four volumes dealing with "higher accountancy," published by the LaSalle Extension University in 1911, one is devoted entirely to the subject of business law. This volume includes a review of most of the subjects of substantive law. In addition, three chapters are devoted to Insurance, Trade-marks, and Bankruptcy, none of which are required for passing the bar examination of the State of Illinois and many other States. However, there is no treatment of the subjects of evidence, pleading or practice.

From the beginning of the establishment of the profession of accountancy, a knowledge of commercial law has been considered an essential part of the professional accountant's training.

Like the lawyer, when the accountant finishes his course of study, he is equipped only with general principles and must carve out a place of specialization for himself. The lawyer continues to study law and to become proficient in some special field. Would the accountant have it said that he stops studying technical subjects and achieves his further learning at the expense of his clients—buffeting from one accounting assignment to another until he acquires what is reckoned as practical experience?

A certified public accountant usually claims to know the language of the executive and the requirements of business management; but has he contributed to the advancement of the science of management? Frederick W. Taylor, engineer, is accredited with initiating the scientific management movement and industrial engineers seem continually to be adding to the progress of scientific management. Would the accountant deny his responsibility for an increasing knowledge of the engineering technique of an executive? After his demonstrated proficiency with the income tax laws, would he deny the

value of further knowledge of technical law? Perhaps he intends to shift the complex computations of inheritance taxes to the shoulders of the legal profession. If he denies his interest in the fields of law and engineering, there remains for the accountant the field of book-keeping and if he desires to be nothing more than an expert book-keeper, qualified perhaps to audit books and to certify to their accuracy, there seems to be little need of calling his work professional.

Try as he might to escape the increasing responsibilities of professional life, the public accountant still faces them. Accounting and engineering combine their knowledge to produce one sort of specialist; law and accounting produce another. Those who oppose such combinations, fruitlessly resist what appears to be the inevitable trend in our present-day social and economic order.

There are no hard and fast boundaries to any profession today!

One man can not possibly master all professions, but nothing hinders his specializing to such an extent in one profession that he must necessarily learn the branches of another or other professions which are concerned with the same specialty.

Are there objections to such specialization? Articles appearing in the September and November issues of the "Certified Public Accountant" mentioned some objections, but they vanish when carefully weighed in the balance of unbiased reason.

Do accountants dare say that the code of ethics of the legal profession is contaminating to the ethics of the accounting profession? Then the ethical conduct of an accountant is of exceptional purity that he may fling the first stone at the ethics of the legal profession. Does his high calling refuse to heed the lure of gold? Does it appear ethical to sling mud generally at the ethics of a brother profession

when ours in its sphere is by no means blameless?

It is said that accountants advertise and lawyers do not. Rule No. 12 of Professional Conduct, adopted by the American Institute of Accountants prescribes:

"No member or associate of the Institute shall advertise his or her professional attainments or service through the mails, in the public prints or by written word;—"

Ethical accountants regard advertising as unprofessional. The attitudes of both the accounting and legal professions toward advertising are not unlike, and would not raise an insurmountable barrier to a combination of the two.

There are many honorable men in the accounting profession who would not stoop to any deceit or fraudulent practice for their own gain; who would not take advantage of the fact that they have no absolute liability for the accuracy of the statements to which they certify; who would not, under any circumstances, risk the fortunes of others when their own liability did not exceed the fees which they receive for their work. The ancient and honorable profession of law also has its high-minded men, who would not use their profession for selfish purposes at the expense of others. In fact, we hope that those who take advantage of "loop-holes" in the ethics of either profession are decidedly in the minority and that the majority of the members of both professions is choosing whatsoever things are worthy of their high callings.

It is stated that the lawyer and accountant combination in one man is unnecessary. But in income tax work, the combination proved decidedly advantageous. Moreover, we already noted that a corporation lawyer finds it necessary to know accounting, the language of business, when dealing with corporate matters.

It is said that a combined lawyer-accountant could earn only the fees of an accountant and the client would be unwilling to pay the additional legal fees. But account-

ants doubled their per diem charge when handling income tax work, and in some cases, the client was willing to pay considerably more than double the standard accounting fee. Clients found that it was cheaper to pay the accountant a higher fee than to employ both an accountant and an attorney.

It is said that dual practice is undesirable. Licensed attorneys find accounting knowledge valuable and often an absolute necessity. Accountants acting in an advisory capacity apparently assume to practice law, styling themselves "Consulting Accountants." They could well fortify their practical knowledge with the principles of law. Along with the improvement of sciences in general, why should not the science of accounting become more exact? Is it not conceivable that in the near future an accountant before he certifies to real property as an asset on a balance sheet, will be required to verify the title? Even now an accountant should ascertain that negotiable instruments listed as assets are bona fide, and that a corporation is a holder of them in due course. Whereas the accountant's education in commercial law does not include a study of evidence, his profession could profitably use this knowledge not only in practice before the United States Board of Tax Appeals, but also in daily accounting work; for an accountant is engaged in the task of making evidence; his records may be required in a court of law and the method of recording or the facts recorded may decide whether a case will be won or lost.

It is admitted that legal training is beneficial to an accountant though he never practices law. (See article by Mr. Sanderbeck appearing in the November issue of *The Certified Public Accountant*.) Why? It induces deliberation. It causes a man to weigh both sides of a question before giving his decision. If he answers, "Yes," he thinks of the possibility of circumstances and conditions not yet con-

sidered, and cautiously adds, "and no," so that he may take time to deliberate before giving his final decision. Like the lawyer, the accountant today must have access to books and libraries before he can give positive advice on problems related to scientific management, specialized cost finding, and industrial engineering—subjects he was not required to know for the certified public accountant certificate. The accountant, of course, is presumed to know the entries necessary for any variety of expert bookkeeping, and his "stock" should "take a drop," as Mr. Sanderbeck suggests, if he doesn't know them. In good conscience, however, he can not give more advanced technical advice without a review of authorities, of which there are many, in engineering, cost finding, and the branches of law which the accountant, by accounting training, ought to know. If he withholds his answer on such important questions until he may consult the latest writers on each particular point, and then, after mellowing new theories with his ripened experience, he gives a "fool-proof" answer, his "stock" will be apt to soar instead of "taking a drop" in the estimation of good business executives.

Since law may be practiced with or without court practice, the certified public accountant who is licensed to practice law may study his clients' problems and give his carefully considered advice on the subjects related to corporations, partnerships, or other matters, on which the lawyer-accountant would probably specialize. Like other honest men of both the legal and accounting professions he would advise the retaining of an expert in patent law, criminal law, probate law or other legal or accounting specialty whenever he himself is unable to handle the particular matter to the best interest of his client.

Legal knowledge is a requisite for any accountant who declares himself capable of advising busi-

ness executives by calling himself a consulting accountant. Such a man may be called upon to settle stockholders' disputes, give advice on labor disputes, or to outline the powers of officers of a corporation or to advise concerning the liabilities of directors. This is the practice of law. It thus appears that law is even more necessary to the public accountant who acts as a consultant, than is engineering, and both are essential to such an individual; without them, his technical equipment is no more than that of an expert bookkeeper trying to do more than his capacities or knowledge warrant.

In the guise of a consultant, an accountant would be entrusted with many secrets of a business executive. Such communications are not privileged and the accountant might be forced in court to testify against his client and to produce evidence of these confidential matters. On the other hand, communications with an attorney are privileged. In giving counsel, the combination accountant-attorney would be acting in the capacity of an attorney and his communications with a client would be privileged; that is they would not be admissible as evidence in a court of law. Therefore, an accountant aspiring to be a consultant in confidential matters would wisely equip himself with a legal training and a license to practice law.

Whereas it is not desirable to merge the professions of law and accounting generally, nevertheless modern developments in our social and economic order indicate that the combination accountant-lawyer can serve a very useful purpose for some kinds of specialization.

F. Scott Kitson, C. P. A., formerly of A. T. Henderson & Co., Lynchburg, Va., announces that, effective December 1, 1925, he will become identified with the Miami Herald and the Shutts' interests in the capacity of consulting accountant and Federal tax consultant with offices in Miami.

The American Society and the American Institute

HENRY J. MILLER (Louisiana): After some deliberation and exchange of views, I should like to read a resolution that I have prepared.

Whereas there exists the American Society of Certified Public Accountants, representing the liberal element of the accounting profession, and the American Institute of Accountants, representing the conservative element of the accounting profession, both organizations being vitally interested in the welfare of the accounting profession in the United States; and

Whereas the American Society of Certified Public Accountants has heretofore and does now believe that competition and overlapping of activities and interests can be largely eliminated by the strict observance of fundamental policies on the part of both organizations; and

Whereas by mutual consent a committee was appointed by each organization to consider the advisability, or feasibility of a single national accounting organization and the possibility of cooperation between two national organizations; and

Whereas such committees have existed during the past two administrations and from the beginning found no possible basis for a single national organization, and have been unable to reach an agreement as to cooperative activities: Now therefore be it

Resolved, That the committee heretofore appointed for the purpose of conference with the American Institute of Accountants be discharged with the appreciation of the American Society of Certified Public Accountants; and further be it

Resolved, That the President of the American Society of Certified Public Accountants is hereby authorized to appoint a suitable committee at any future time, provided the American Institute of Accountants has appointed a similar committee and has requested conference with the American Society of Certified Public Accountants for the purpose of joint cooperation in matters of professional import.

Mr. President, I think that the resolution is well understood.

Mr. KORTJOHN (New York): Mr. President, I move that this resolution be placed on the table.

Mr. DUNN (New York): I think there is an inaccuracy of statement

Report of Discussion at Richmond Convention, September 11, 1925

in the resolution. I should like to call upon the secretary to state from the record whether or not the purpose of the committee of this Society, to say nothing about the purpose of the committee of the American Institute, is correctly stated in the resolution.

I was a member of that committee and I have never understood that the purpose set forth was one of seeking a means of consolidation. We were not so instructed, as I recall it. Mr. President, you are familiar with the subject under discussion, you can bear me out on this.

Mr. UPLEGER (Texas): I think for about two years this matter has been running through the Society and running through the Institute and from all that I can understand, we haven't gotten very far with it. The general impression in the west, I know, is that the American Society seeks to be taken in by the American Institute and that they want to make one organization. I think after you have heard the President's report with reference to the new activities that are to be taken up by the Society you will feel that the Society, itself, has a very big and constructive piece of work to do and I think if we get this matter behind us and let the certified public accountants throughout the country know that we are an organization of certified public accountants working for the interest of the certified public accountants, that we can do a larger constructive work than we can if they believe that we are continually trying to seek consolidation, or any other contact, with the American Institute. So far as I have been able to ascertain, the negotiations have not been satisfactory. The opening paragraph of Mr. Nevins' report at the last

meeting certainly convinces me that there are no points of contact. I think if we can get this matter behind us and go after constructive work, that we can accomplish more good for the certified public accountants in other ways.

Mr. SPRINGER (Michigan): Mr. Chairman, I believe that a better understanding of the exact situation will be had and the entire matter clarified if we can take time for discussion, and I would ask if the maker would not be willing to withdraw the motion to table simply in the interest of a better feeling all the way around?

Mr. KORTJOHN: I will withdraw the motion.

President PRIDE: The question before the house is the adoption of the resolution of Mr. Miller.

Mr. SPRINGER: Mr. Dunn raised a question which I think is a very proper one and which I think should be answered in the interest of everybody voting on the matter intelligently.

As I understand it, there was no attempt made in the resolution to quote any previous document on either side. In the absence of quotation marks, I think that the statement is as fair as it would ordinarily be possible to put into a resolution of that kind, because no one may read the reports that have emanated without reaching the definite understanding that those were the two points that were discussed by the respective committees. If they were in quotation marks, they would not be an exact statement, but I think that the statement is for all practical purposes a fairly accurate one, and as accurate as could be secured. That is merely in answer to the question.

As to the resolution, I am not asking that you vote either one way or the other, but I want to simply present the situation as it is, having been a member of the

committee and having sat through each of the meetings.

In the first instance, the American Society passed a resolution which provided that in case the American Institute appointed a committee we would confer on matters relating to the professional accounting organizations. At the end of a year, the American Society passed a resolution directing the continuance of the committee in case the Institute continued its committee, and we had another conference.

Now we come to a position where, according to the resolution, the committee is to be discharged, which, I think, is very proper. To have discharged the committee and stopped in the resolution at that point might have appeared discourteous. I do not think it would have been but it might have appeared so, and so the resolution goes on further and provides that if at any time the Institute desires to have a conference and so notifies us, that our President may appoint, or is given power to appoint, another committee whenever the occasion arises.

It seems to me that the resolution as presented is under all the circumstances a fair statement of the case, a courteous action on the part of one of the two organizations, and yet leaves the matter in a position where if at any future time there appears to be any possibility of good being accomplished, the way is open. That is the condition as it appears to me.

Mr. PINKERTON (Illinois): I favor this resolution very strongly. I know that in my individual efforts to secure members, I have been constantly met with the excuse, "Well, the American Society is trying to consolidate with the American Institute. I am going to wait until I see what happens. Maybe I will pay my initiation here and be left out because their rules won't admit me without an examination."

I am a member of the American Institute and I do not want any-

thing that I say to be construed as being unfavorable to the Institute, but here are two separate organizations with two separate and distinct aims. At least we know very well that the American Society is an organization of the certified public accountants of the United States, men who have a State right to practice the profession of accounting. We deal through the State officers with the proper authorities. It is the largest accounting organization in the United States, and it is time for the American Society to stand on its own feet, to take the place which rightfully belongs to it as the accounting organization of the country and not to appear to be seeking affiliation with an organization organized for different purposes, although at the same time for the betterment of the accounting profession.

Anyway, the possibility of affiliation or of consolidation between two organizations working as these have worked, developed as these have been developed, is rather remote. St. Paul and Minneapolis are said some years ago to have endeavored to consolidate. There is just one street as a dividing line between the two cities. It was felt that if they were made one, then there would be a great city, a city ranking up among the top of the cities of the United States.

The men got together, the city councils and the chambers of commerce and they had many meetings. They agreed to many things. They practically had chosen a place for the offices of the United City when they came to the argument of—What is going to be the name of this united city? Minneapolis said, "Here we have spent great quantities of money building up the reputation of Minneapolis. It has been advertised through its flour mills, throughout the country. It is a shame to throw away that good-will."

St. Paul said, "We have the capital of the State and are recognized in the constitution and statutes as

the capital. It would be an interminable task to change all these things." Finally after they had fought back and forth one man got up and said, "Gentlemen, we have here a wonderful idea, this idea of consolidation. Are we going to waste it all through a petty squabble over a name? In such cases, gentlemen, there is only one thing to do. We must compromise. Gentlemen, I present to you this motion that the name of the city be Minnehaha—'Minne' for Minneapolis and 'Ha Ha' for St. Paul."

It is time for the American Society to let the world know that it is an organization built to last, built to represent the certified public accountants of the United States and to stand on its own feet.

Mr. GOODLOE (New York): Mr. Chairman, in many respects I fully agree with Mr. Pinkerton, but there is just one point that I think we should take into consideration.

A year ago we adopted this resolution and we provided for the appointment of a committee in the event that the American Institute appointed a similar committee. This committee met, it functioned. The first statement made by the representatives of the Institute was that there is no ground on which we can get together. This committee was not made a permanent committee of the American Society. The committee has functioned. It has discharged its duties and it automatically goes out of existence. At this time, as I understand it, there is no occasion for the reappointment of a committee of that kind. If the occasion arises, let's deal with it then. The President and the Board of Directors have ample power if such a remote contingency should come to pass that we again should have to consider the question, to deal with it.

I think that we are fully justified in asking the maker of the motion to cut it off by saying that whereas this committee was appointed and so forth, that it be discharged with the thanks of the Society, I

do not believe that we want even a contingency. We do not want the statement to go out that "If you come back again and talk to us we are ready to talk to you." Let them come to us and say, "please." We have the more powerful organization. We have a membership which man for man outranks that of the Institute. Why should we put ourselves in the position of inviting them or even suggesting that we will listen to them if they come and talk to us. If they do, well and good. We are reasonable and ready to listen to any reasonable proposition that is put to us.

Gentlemen, I don't believe we need any part of that resolution looking to a continuation or reappointment, or anything else in the event that there is such a contingency.

Mr. KORTJOHN: There is really nothing much to add to what Mr. Goodloe has said, Mr. Chairman. That was my idea. Forbid that I should be in favor of the American Society going to the American Institute and asking them for consolidation, or any favors! But we do not necessarily want to antagonize any present members of the Institute. There is not any great number of them. They are rapidly coming to our view and it will be only a short time before they will be glad to enter the American Society. For that reason, I do not want to do anything to offend those C. P. A's who really in former years believed their only salvation lay in the Institute and who are now ready to come over to us. Let us not say anything to offend them. I think Mr. Goodloe's suggestion is the only one to take. Let's pass this resolution with the necessary correction and let the thing be done with.

Mr. HUGHES (New Jersey): Just a question for the secretary to answer. I wonder if Mr. Harrison can tell us how many of us here are members of the American Society and also members of the Institute, because some of us are both conservative and liberal.

President PRIDE: Will all the members of the American Institute please rise? Twenty-four arose.

Mr. UPLEGER: Just one word! I should like to see the impression that has gone out killed and if this resolution is passed, it will certainly put us on record as killing the impression.

Mr. HUGHES: Is it not sufficient to adopt the suggestion of Mr. Goodloe to have this committee discharged with thanks? Why not accept the report without the negative resolution read by Mr. Miller?

Mr. GOODLOE: Just a question for Mr. Upleger. If we leave off the suggestion of the reappointment of another committee, don't we answer that question more effectively and more decisively?

Mr. TANNER (Illinois): I have read the resolution very carefully. I try to be fair minded. I do not think there is one word in the resolution that any Institute member would object to. If there is, I should like to know what it is. It is not the intent to insult the Institute members. In fact, the last part of the resolution which Mr. Goodloe thinks is unnecessary is particularly in there to advise the Institute members that this is not an attempt to offer them any criticism or discourtesy. I think there is nothing whatsoever in the resolution that can be objected to on that ground.

Mr. HECHT (New York): I think that what I will say may somewhat surprise you. I hope that this resolution will not prevail. I believe that the good of the accounting profession and that the strides which the American Society has made, are an answer sufficient as to what our progress and our standing is and will be. In the past year, under the guidance of our President, we have added almost one thousand members to our ranks, and I am quite sure that we will have another thousand at the end of the coming year.

In connection with several others who have tried to democratize the American Institute, I still

feel that time has a solvent which will aid us in our work. We should not now with the strength which we have slap the American Institute in the face. It is unfortunate that the invisible government in the American Institute, in the hands of less than one dozen men, can play with the membership of the Institute. But in that very unfortunate situation there is some good, and the outcropping good is the American Society of Certified Public Accountants. We could not work well from within. We have worked well from without and we have added to our ranks from within and from without.

I do not think that the preamble to this resolution is one which carries the dignity of the American Society of Certified Public Accountants. Let us with our strength show our dignity, show our fairness. I feel that if this committee is discharged with thanks that that is all that is necessary, and I feel personally, and I trust that you will feel and show it by your votes, that nothing else is necessary.

Mr. SAUSSY (Georgia): I offer as a substitute for the motion, one that the report of the committee be received as information and the committee be discharged with thanks.

Mr. SPRINGER: That would really refer, Mr. President, to the part of your report in which you cover the work of the committee. The motion a year ago was that if the American Institute saw fit to appoint a committee to confer with a committee of the American Society, the President of the American Society should reappoint the same committee that had previously served. You, as President, did appoint that committee and they did confer and they have made a report through you as chairman. Now it is for the Society to discharge that committee. That is what I thought Mr. Saussy had in mind in making his motion.

Mr. SAUSSY: I had in mind the report of the committee. If it is a

special resolution, my motion is not necessary.

President PRIDE: The President will rule at this time that the other motion is before the house.

Mr. SAUSSY: I should like to ask if the report of that committee will be made at this meeting.

President PRIDE: The report of that committee has been made and your motion will be in order after this motion is disposed of.

Mr. MILLER: As the introducer of the resolution, I want to make one or two points clear. We just had a rising vote, showing twenty-four members of the American Society present were also members of the American Institute. Personally I admire the American Institute very much for their professional work. Out of the number of men that did not rise, I believe there were many, including the speaker, who had complied with all the requisites to enter the Institute, having passed their examination and so forth, but who have exercised their choice of National organizations. We had two to pick from. Some of us chose the American Institute because we liked their foundation. Some of us chose the American Society, but we did not join the American Society to consolidate with the Institute. We joined because we wanted a separate society of State Certified Public Accountants and that is why I do not look for consolidation with the American Institute, the National Association of Cost Accountants or Taxmen, or any other group. I am standing for the organization of State granted C. P. A's. I think it is entirely out of order for us, having joined with this viewpoint, taking that viewpoint from your charter and by-laws, to expect to stand by for two years and watch negotiations go on with the American Institute for consolidation. Whatever the details of the conference were, we can tell very readily from the reports that there has been agitated some question of consolidation from one side or the other.

I personally have joined this Society because of what you have in your charter and there are men who have joined the American Society after resigning from the Institute. There are other men like myself who have chosen the American Society and never applied to the Institute.

If we are a separate organization founded upon State granted C. P. A's, I certainly do not see any reason why we should object to going on record and saying that we do not care to have negotiations that might strike at the fundamental corner-stone of our charter going on.

Mr. GOODLOE: I want to ask a question of Mr. Miller. I think every one of the men who stood up as a member of the Institute was a member long years ago. The point I am interested in is that your resolution provided for the reappointment of a committee should anything come forward. My point is that I do not believe that provision is necessary. I do not believe it is necessary to even say we will appoint a committee if some emergency does arise which in the judgment of the President and the Board of Directors makes it necessary. I do not believe we should make any provision for the appointment of this committee. That is my only objection to your resolution. I will offer as an amendment that we eliminate the last part of your motion and strike out that part which provides for the appointment, or gives specific authority to the President to appoint a new committee.

Mr. MILLER: My objection to your amendment, Mr. Goodloe, and understand that when I make this fight here I have always stood by what the majority of the Society wants, but I have always felt that this is a democratic organization and that such things should be brought to the attention of the Society and whichever way this vote goes, you will find me an ardent supporter of the American Society, is that I do not think you say

enough in your amendment. I think you ought to say in your resolution what you mean. If you just simply discharge the committee without any reference to the fact that we do not wish to initiate any proceedings with the American Institute, or any other association, then you leave the whole matter in doubt. If you want to put in your amendment that we do not wish to enter into negotiations on this ground, we discharge the committee and do not authorize the President to appoint another committee, but discharge them with thanks because we do not wish to have any, then we have stated exactly what I have in my mind.

Mr. SPRINGER: Personally, I do not think it makes a particle of difference which of the two actions is taken. It is merely a choice which each of you will make when the vote is taken as to whether or not you wish to take a large or a small number of words in saying identically the same thing. If brevity is the soul of wit, you will vote for the shorter resolution, not because it is more valuable, not because it expresses the sentiment any better, but merely because it will not occupy as much good white paper when it is printed.

If, on the other hand, you want in addition to your action to indicate why the action is taken, you will naturally vote for the longer one. Under either, the committee is discharged with thanks, and that is the end.

When, under the longer resolution, there was a preliminary statement made, it was right and proper that following the discharge of the committee the other side be set up. I think it would be improper not to have done so. One acts as an offset on one side to the preliminary matter on the other, so it is a pretty fair sandwich or balance sheet. The shorter resolution does exactly the same as the longer one without any explanation and therefore it isn't necessary to indicate that at any time in the future we will do something again. Although

I may be entirely wrong, that is the way I see it. From a practical standpoint, I do not think it makes a particle of difference which of the two things you do. In both cases the American Society expresses the idea that so far as we have been going, we haven't gotten the worth of our money and we aren't going to take any more time at present in considering the question further.

I do think, however, that it has been a good thing for us to talk about it, because as one of the most prominent editors in the United States at one time said "the greatest pains to which man is heir are those caused by an unborn speech." If it hadn't been possible for some of us to have gotten these ideas out of our systems, we shouldn't have felt very good. Let's get the idea into our minds that it makes practically no difference which we do. The statement Miller made that he favored the longer one, but nevertheless was with the majority, is the same sentiment that ought to prevail with every one of us.

Mr. Upleger assumed the chair.

President PRIDE: Mr. Chairman, I regret to a certain extent taking the floor on this occasion to talk on this motion and amendment. I wish to speak only once and hope that you will pardon me if I speak to the motion as well as the amendment.

It took me a long time to prepare my report in regard to the meeting of this committee of ours with the committee of the American Institute and I worded it as carefully as I could with a great deal of due deliberation. I want to take up this resolution as it is worded and bring it to your attention.

The first paragraph reads:

"Whereas there exists the American Society of Certified Public Accountants, representing the liberal element of the accounting profession—"

We here all know what we represent without being obliged to publish it and by telling our members

over and over again what we stand for.

"and the American Institute of Accountants, representing the conservative element of the accounting profession."

We agree that that is a fact. We have told them that time and time again, and in our committee meetings we made it pretty plain. Mr. Dunn said to that committee, "The trouble with you fellows is the fact that you are built from the top down, while we have builded from the bottom up." That is a fact. I do not believe it is necessary for us to reiterate this thing all the time and keep shoving it into them. I think they have now got all they can digest.

"Whereas the American Society of Certified Public Accountants has heretofore and does now believe that competition and overlapping of activities and interests can be largely eliminated by the strict observance of fundamental policies on the part of both organizations—"

I tried very hard to point out in my report the constructive work that this society can do in the year to come. We intend to publish it in the "Certified Public Accountant." I do not believe that we are going to get as far ahead in trying to build by tearing down others. I think if we go straight ahead with the plan that is mapped out we will get farther than we will otherwise. I am not going to comment any more upon this resolution, but I do want to call your attention to the suggestions that I made in my report.

I included in this report, and I anticipate that it will be published, a paragraph which I believe is very essential for every C. P. A. in the United States to note. I have further said:

"Because the American Society could not abandon its basis of membership, namely, the State C. P. A. certificate, and the American Institute's committee, indicating that it would not consider limiting membership in their organization nor the resulting organization to State licensed certified public accountants, it was agreed amalgamation was impossible at the present time."

Is there anybody who reads that report who is going to misunderstand that paragraph and what it means? I believe and I am waiting and hope I shall have the privilege of putting the motion to accept the report of the committee and have them discharged because I believe we accomplished all that is necessary and we do not have to say anything.

Mr. Pride resumed the chair.

Mr. DUNN: Mr. President, I have been sitting here trying to recall the name of the sage, and my memory fails me, who said upon one occasion, "Wisdom lies in the avoidance of the doing of unnecessary things."

I am heartily in accord with what our president has said. I want to say to you that he has handled this situation with excellent adroitness. He has kept the American Society in a very desirable position all the way through. He has made his report upon the conclusions of the two committees which we spread upon the record and read by the members. If the members will read the "Certified Public Accountant," and that particular page and paragraph, there can be no mistaking what is meant.

This committee dies at 5.30 this evening. Why should it be discharged? It has performed its function. Action has been taken. There can be no other committee unless this Society authorizes one and unless an emergency arises for the need of such a committee, there will not be any further committee.

What I fear in this resolution is the inference to be drawn by some who are alleged to have drawn an inference previous from language that was unmistakable in its meaning, that with the provision for another committee we still lie with one ear to the ground listening for something to come from the American Institute. I hope this Society will not put itself in that position. I for one am not listening for anything. I have been on the committee and served on the committee

and as one of the committee and a member of the Society, I say my ear is not to the ground and I am not listening for any tread in the distance or near-by from the other direction. I think we are through and all we have to do is to quit. The president's report is sufficient evidence in the case and I should

like to leave it with that evidence. Therefore, I offer a motion that the resolution and amendment be put upon the table.

The motion was carried.

The following resolution submitted by Mr. Ward (Ohio), was unanimously adopted:

Whereas the report of our president

indicates that the committees appointed by the American Society of Certified Public Accountants and the American Institute of Accountants to consider the question of cooperation or coordination have reported no agreement has been reached or is in prospect: Now, therefore, be it

Resolved, That the committee's duties be considered ended and the committee is hereby discharged.

Solution to the Wolf River Woolen Company Problem

By J. H. MILLSAPS, C. P. A., Assistant Educational Director, International Accountants Society, Chicago.

[Problem No. 3, Maryland C. P. A. Examination November, 1924, published in The Certified Public Accountant, November, 1925, page 134]

THERE is one feature of this problem that deserves special notice, and that is the requirement that a "statement to show for the quarter ended March 30, 1920, total manufacturing expense, cost of goods made, cost of goods sold, and net profits," be prepared. This requirement has been interpreted literally in preparing a solution, and the standard form of combined Manufacturing, Trading and Profit and Loss Statement has been employed, rather than separate statements. It is always well to follow as literally as possible the requirements of the problem.

It will be observed that in the following solution the waste sales have been shown as a deduction from the cost of material entering into cost of goods manufactured. No serious criticism could be made, however, if these waste sales had been added to the "Sales of Cloth" to give a "Total Sales" figure, or the waste sales could have been shown as "Other Income."

There is nothing in the statement of this problem to show that any account was taken of depreciation or of Federal income and excess profits taxes. It is possible that depreciation was deducted directly from the asset accounts, but in order to indicate to the examiners that these points were not overlooked it is desirable to incorporate in the solution a note calling attention to the fact that the Surplus shown may be subject to provision for depreciation and Federal income and excess profits taxes.

The handling of "Rents Receivable" in this solution has been based on the assumption that the rent has been earned and collected. The problem, however, is not clear and this account may represent a liability for rents paid in advance. It would be appropriate to append to the solution a note to the examiner as follows:

"Since 'Rents Receivable' seems to be the only item that could represent income from the tenements, I am treating it as an income item, although from its description it might be 'income received, not earned.'"

This is a problem to which the eight-column working sheet is admirably adapted, making it possible to produce a solution in a comparatively short time.

Wolf River Woolen Company BALANCE SHEET March 30, 1920 ASSETS

Current Assets:	
Cash	\$119,126.06
Accounts Receivable	63,492.58
Inventories, March 30, 1920:	
Finished Goods	\$114,069.57
Consigned Goods	14,438.42
Goods in Process	31,464.02

Material	113,860.99	
Fuel	1,250.00	
Starch	800.00	
Supplies	1,300.00	
		277,183.00
Securities:		
Liberty Bonds	1,000.00	
Total Current Assets		\$460,801.64
Fixed Assets:		
Buildings and Machinery	341,378.14	
Tenements	1,610.99	
Total Fixed Assets		342,989.13
Deferred Charges:		
Prepaid Taxes	208.96	
Unexpired Insurance	660.41	
Prepaid Interest	5,100.00	
Total Deferred Charges		5,969.37
Total Assets		809,760.14

LIABILITIES

Current Liabilities:	
Notes Payable	\$225,000.00
Accounts Payable	313.45
Total Current Liabilities	225,313.45

NET WORTH

Capital Stock:	
Outstanding	\$362,500.00
*Surplus:	
Balance, March 30, 1920...	\$168,866.14
Net Profit for period, Jan.	
1 to March 30, 1920.....	53,080.55
	221,946.69
	584,446.69
Total Liabilities and Net worth	809,760.14

Wolf River Woolen Company MANUFACTURING, TRADING, AND PROFIT AND LOSS STATEMENT

January 1, 1920—March 30, 1920

Sales of Cloth	\$287,101.56
Cost of Goods Sold:	
Finished Goods, beginning of period..	\$132,833.85
Manufacturing Costs:	
Goods in Process, beginning of period.....	\$22,258.01
Material:	
Inventory, beginning of period	143,566.55

* May be subject to provision for depreciation and Federal income and excess profits taxes.

Purchases	141,904.13
Freight Inward	1,353.99
	<u>286,824.67</u>
Less—Inventory, end of period	113,860.99
	<u>172,963.68</u>
Less—Waste Sales....	1,401.39
	<u>171,562.29</u>
Labor	<u>33,862.99</u>
Manufacturing Expenses:	
Light	132.72
Royalties	50.00
Oils	38.62
Finishing	7,455.55
Supplies	1,276.06
Starch	800.00
Fuel	1,455.99
Water	202.24
Insurance	350.00
Taxes	567.71
	<u>12,328.89</u>
	<u>240,012.18</u>

Less—Goods in Process, end of period	31,464.02
Cost of Goods Manufactured..	<u>208,548.16</u>
	<u>341,382.01</u>
Less—Finished goods Inventory, end of period	114,069.57
Cost of Goods Sold.....	<u>227,312.44</u>
Gross Profit on Sales.....	<u>59,789.12</u>
Selling and Administrative Expenses:	
Commissions	7,121.42
General Expense	542.88
	<u>7,664.30</u>
Net Profit on Sales.....	<u>52,124.82</u>
Other Income:	
Rent Received	378.87
Discount Taken	4,016.26
	<u>4,395.13</u>
	<u>56,519.95</u>
Deductions from Income:	
Interest Paid	2,539.90
Discount Allowed	899.50
	<u>3,439.40</u>
*Net Profit for period.....	<u>53,080.55</u>

* May be subject to provision for depreciation and Federal income and excess profits taxes.

Wolf River Woolen Company WORKING SHEET March 30, 1920								
	Trial Balance		Adjustments		Profit & Loss		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cloth		\$ 268,337.28	\$114,069.67	\$132,833.85		\$287,101.56		
Labor	\$ 33,862.99				\$ 33,862.99			
Light	132.72				132.72			
Royalties	50.00				50.00			
Oils	38.62				38.62			
Finishing	7,455.55				7,455.55			
Cash	119,126.06						\$119,126.06	
Liberty Bonds	1,000.00						1,000.00	
Supplies	1,276.06				1,276.06			
Starch	800.00				800.00			
Fuel	1,455.99				1,455.99			
Water	202.24				202.24			
Freight Inward	1,353.99				1,353.99			
Accounts Receivable	63,492.58						63,492.58	
Accounts Payable		313.45						\$ 313.45
Notes Payable		225,000.00						225,000.00
Building and Machinery	341,378.14						341,378.14	
Tenements	1,610.99						1,610.99	
Insurance	350.00				350.00			
Taxes	567.71				567.71			
General Expense	542.88				542.88			
Rents Receivable		378.87				378.87		
Commissions	7,121.42				7,121.42			
Interest Paid	2,539.90				2,539.90			
Discount Taken		4,016.26				4,016.26		
Purchases Material	162,403.68		113,860.99	143,566.55				
			31,464.02	22,258.01	141,904.13			
Surplus		168,866.14						168,866.14
Discount Allowed	899.50				899.50			
Capital Stock		362,500.00						362,500.00
Waste Sales		1,401.39				1,401.39		
Inventory Finished Goods 1/1/20			132,833.85		132,833.85			
Inventory Process 1/1/20			22,258.01		22,258.01			
Inventory Materials 1/1/20			143,566.55		143,566.55			
Inventory Finished Goods 3/30/20	114,069.57			114,069.57		114,069.57	114,069.57	
Inventory Process 3/30/20	31,464.02			31,464.02		31,464.02	31,464.02	
Inventory Materials 3/30/20	113,860.99			113,860.99		113,860.99	113,860.99	
Inventory Fuel 3/30/20	1,250.00						1,250.00	
Inventory Starch 3/30/20	800.00						800.00	
Inventory Supplies 3/30/20	1,300.00						1,300.00	
Prepaid Taxes 3/30/20	208.96						208.96	
Unexpired Insurance 3/30/20	660.41						660.41	
Prepaid Interest 3/30/20	5,100.00						5,100.00	
Consigned Goods 3/30/20	14,438.42						14,438.42	
	\$1,030,813.35	\$1,030,813.39	\$558,052.99	\$558,052.99	\$499,212.11	\$552,292.66		
						499,212.11		
						\$ 53,080.55		53,080.55
							\$809,760.14	\$809,760.14

Table Showing State Certificates Under Which Certified Public

C. P. A.'s residing in the following states practice on authority of certificates issued as shown opposite name.	C. P. A.'s practicing under authority of state as shown below reside in state shown on same horizontal line. (Upper figures are non-members.)																															
	Alabama	Alaska	Arizona	Arkansas	California	Colorado	Connecticut	Delaware	Dist of Col.	Florida	Georgia	Hawaii	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri	Montana					
Alabama.....	24 10										1														1							
Alaska.....																																
Arizona.....			4			1																										
Arkansas.....				14 6							1									1					1		3 1	1 1				
California.....	1				269 90	1								6 3	2 1																	
Colorado.....						68 23									1 1																	
Connecticut.....							46 38															1						1				
Delaware.....								5 1																								
District of Columbia.....	1				1				7 23											1	4		1 1	1		2 1						
Florida.....										17 2	1 1			1 1	2 1										1							
Georgia.....	1									1	50 35				1 2					2												
Hawaii.....												6 2										1										
Idaho.....													17 2																			
Illinois.....														410 78	70 40	6 2		2 1		1		1 2	4 3	10 2	1 1	6 1						
Indiana.....					1		1							4 1	168 31	12 5																
Iowa.....																																
Kansas.....																	12 4											2				
Kentucky.....															10 1			10 14										1				
Louisiana.....																			101 39									1				
Maine.....																				17 9												
Maryland.....						1	2								1						30 34							1				
Massachusetts.....															1					4 2		254 170										
Michigan.....															4 7								129 68		1 1		1					
Minnesota.....											1				2 1																	
Mississippi.....																				1												
Missouri.....					1	1					1				6 4																	
Montana.....																												15 10				
Nebraska.....						1									2 1		1											1				
Nevada.....																																
New Hampshire.....																																
New Jersey.....								1 2							1 3																	
New Mexico.....																																
New York.....	1			1	3 1	2 1	20 19	1			4			25 6	41 22	2 1	1	1 5	4 1	1	2	10 5	5 1	14 1	1	9 2	2					
North Carolina.....																																
North Dakota.....															1																	
Ohio.....															3 2	32 18								3 2				1				
Oklahoma.....																1																
Oregon.....					2																											
Pennsylvania.....	1				1				1				1	2	11 11					1		2	1					1				
Philippine Islands.....																																
Rhode Island.....																																
South Carolina.....																																
South Dakota.....																																
Tennessee.....	1														1		1					1			1		1					
Texas.....											1				1 1			1		2								1				
Utah.....					2	1							1																			
Vermont.....																																
Virginia.....															1 1							1				2						
Washington.....					1								1											1								
West Virginia.....																			1 3													
Wisconsin.....														1	1					1				1								
Wyoming.....																																
Foreign.....					1						1				4 1	1 1								2	3		2					
Total.....	27 13		4	16 6	280 93	77 26	72 59	6 1	7 24	17 3	58 39	6 2	19 3	474 91	386 143	20 11	14 4	36 30	112 41	25 11	37 34	274 182	146 77	84 10	64 11	120 30	19 12					

Accountants Are Practicing. Prepared September 1, 1925.

C. P. A.'s practicing under authority of states as shown below reside in state shown on same horizontal line. (Upper figures are non-members.)

Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Philippine Islands	Rhode Island	South Carolina	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington	West Virginia	Wisconsin	Wyoming	Foreign	Total	C. P. A.'s residing in the following states practice on authority of certificates issued as shown opposite name.
																										26	Alabama
																										10	Alaska
																										4	Arizona
																										5	Arkansas
1	1	1			3			1	1	3						1	2				1	1				9	California
1		1	1			1				3													1	1		296	Colorado
					3					1								1								99	Connecticut
																										75	Delaware
																										24	District of Columbia
																										54	Florida
																										40	Georgia
																										6	Hawaii
																										1	Idaho
																										80	Illinois
																										67	Indiana
																										30	Iowa
																										8	Kansas
																										38	Kentucky
																										6	Louisiana
																										18	Maine
1					3	5		6	1	1	1															2	Maryland
					3	10		2																		555	Massachusetts
								1	1																	169	Michigan
								2																		178	Minnesota
								1	1																	33	Mississippi
								1	3																	23	Missouri
								1	1																	6	Montana
								1	1																	15	Nebraska
								2																		8	Nevada
								1																		23	New Hampshire
																										16	New Jersey
																										7	New Mexico
																										37	New York
																										298	North Carolina
																										188	North Dakota
																										148	Ohio
																										77	Oklahoma
																										66	Oregon
																										11	Pennsylvania
																										52	Philippine Islands
																										10	Rhode Island
																										30	South Carolina
																										16	South Dakota
																										20	Tennessee
																										6	Texas
																										3	Utah
																										7	Vermont
																										5	Virginia
																										133	Washington
																										61	West Virginia
																										7	Wisconsin
																										1	Wyoming
																										1	Foreign
21	4	149	113	6	1109	90	7	191	62	59	203	72	16	18	2	100	101	23	1	19	83	15	83	14	4961	2039	Total

"Some Accomplishments of the Federal Reserve System"

WHEN I received an invitation to address you at this convention, the subject which has been announced by your President naturally occurred to me at once. That subject occurred to me for two reasons. In the first place, the Federal Reserve System was born and has grown up under very unusual and peculiar circumstances. Therefore, its present status is taken more or less as a matter of course, and we have had so many things to think about in the financial world during the last ten years that comparatively few business men realize the extent to which the Federal Reserve System has become an integral part, a necessary part, an indispensable part of our financial system.

My second reason for selecting the subject is that I know of no body of men who are better qualified than the certified public accountants of the United States to become effective missionaries in the interest of the system. I do not mean by that that the system is looking for boosters, or looking for people to give it artificial support, but I have a very deep and positive conviction that what the system needs at the present time is that the public shall know the truth about it. For that reason, I am going to give you a few of the high lights in regard to the truth about the Federal Reserve System in the hope that you will carry away with you perhaps a little better impression, or a little more vivid impression, I should say, of the importance of the system not only to the banks of the country but to all of your commercial clients who are, as you know, dependent upon the banks.

In discussing this subject with you, I am not going to apologize for statistics. Everyone knows that figures and statistics are the

By CHARLES A. PEPLE, C. P. A.,
Deputy Governor Federal Reserve
Bank, Fifth District.

[An address delivered at the Richmond
Convention, September 11, 1925]

life blood of accountants. Nothing means anything to them until it is down in cold figures and added up correctly and the balance properly struck. You live in figures, you sleep with figures, you eat figures and you will probably die with figures; therefore, no one need apologize for throwing any amount of figures at you. Nevertheless, I shall endeavor as I go along to put some little life, if possible, into the figures which I will present for your consideration.

According to the terms of the act itself, the Federal Reserve System was created first to furnish an elastic currency, second to afford means of rediscounting commercial paper, third to establish a more effective supervision of the banking in the United States, and for other purposes.

Let us consider very briefly what the system has done in these directions during the last ten or nearly eleven years, constituting about half of the time for which the Federal Reserve banks were chartered.

Naturally, the very first step of all the Federal Reserve banks was to gather in the reserve deposits of the member banks. Originally the act provided that the three classes of banks, those located in central reserve cities and those in reserve cities, and those known as country banks, should establish reserves in certain proportion to their deposits and reserves which, by the way, were very much less than the required reserve under the National Bank Act.

This shifting of reserves to the Reserve Bank was to take place during a period of three years by

gradual transfer of reserves to Reserve Banks. However, the war in Europe had broken out. Many things were happening. Trade was stimulated in this country. We, ourselves, were seriously contemplating entering into the war and therefore the Federal Reserve Act was amended shortly before the end of the three-year period, and by that amendment established the present figures for reserve which were still lower than the reserves required by the original draft of the act. In order therefore that you may appreciate the difference between the old requirements and the new, I will present to you very briefly a picture composed of all of the member banks of the United States as of the 31st of December, 1924.

We will first consider what reserves they would have been required to carry under the National Bank Act had it still been in force and had the same conditions existed, and what reserves they were required to carry under the Federal Reserve Act. The member banks, State and national, in central reserve cities, had net deposits, that is net demand deposits plus time deposits, of \$7,722,000,000. (I am giving round figures only.) Under the National Bank Act they would have been required to carry cash reserves of \$1,905,000,000.

The member banks in reserve cities had net deposits of \$9,590,000,000, and under the National Bank Act they would have been required to carry cash balances in their own vaults of \$1,198,000,000 and balances with approved agents in central reserve cities of exactly the same amount.

The country bank members, both State and national, had net deposits of \$11,037,000,000 and under the terms of the National Bank Act

they would have been required to carry \$662,000,000 in their own vaults and \$993,000,000, consisting of balances with approved agents in central reserve cities and reserve cities. That makes a total required of \$5,956,000,000 for all banks.

Under the Federal Reserve Act the member banks in central reserve cities were required to carry instead of \$1,905,000,000, only \$879,000,000. It required them at the same time to carry \$98,000,000 in cash in their own vaults.

The member banks in reserve cities were required under the terms of the act on the 31st of December, 1924, to have \$718,000,000 in reserve balances with the Federal Reserve Bank and their business necessities required \$178,000,000 in cash in their own vaults.

All the country banks were required, under the Federal Reserve Act, to carry \$562,000,000 in balances with the Federal Reserve Bank and they had \$320,000,000 in cash in their own vaults.

To summarize the whole system, under the old system, the cash required of all of these classes of banks in their own vaults was \$3,766,000,000. Under the Federal Reserve System, the balances with the Federal Reserve Banks plus the cash which they required them to carry in addition in their own vaults was \$2,757,000,000, a saving of \$1,008,000,000 in cash and a still further saving of \$2,192,000,000 in bank balances. In other words, all of the member banks of this country were able to operate under the Federal Reserve System with less than one-half of the reserve which was required of them under the original terms of the Federal Reserve Act, and as you gentlemen know (certainly some of you are old enough to remember), from reading records, and the financial history of this country, that under the old system with this \$5,000,000,000 of required reserve, every time we had any serious trouble such as even a small war in another country, or a panic of any description, the system broke down. Un-

der the operation of the Federal Reserve System with less than one-half of the money impounded as reserve, we have gone through experiences which would have wrecked the banking system of this country ten times over if our previous experience is of any value whatever.

In connection with the establishment of reserve deposits, the Federal Reserve Banks, twelve in number, with twenty some branches, have established a nation-wide system of check collections and one which is not thoroughly appreciated by the business men generally for the reason that it has worked so well. It has worked so smoothly and so satisfactorily and completely that very few have taken the trouble to inquire what they really got out of it, how big it was and what it was doing for them.

In 1918, '19, '20, '21 and '22 we heard a good deal about the size of the Federal Reserve System because in some of those years the system was making enormous profits owing to the extended condition of credit in this country, which was occasioned largely by the fact that the Government had to sell something like \$25,000,000,000 of bonds and many additional millions in other kinds of securities, so that their profits were exceedingly large and a great deal was heard about it on account of those profits. Since then, however, those profits have gradually diminished until at the present time it is always a serious question with the Federal Reserve Banks as to whether they are going to have a sufficient income to pay their expenses and their dividends and charge off reasonable amounts.

Since this condition of small earnings has come about, people are beginning to think—"well the Federal Reserve System is nothing like as active as it was at one time. It is not doing quite as much. Business is more or less at a standstill."

As a matter of fact, nothing could be further from the truth and that is very conclusively shown

by some of the figures in connection with this tremendous cash collection system which reaches to every part of the United States, and embraces almost 90 per cent of the banks of the United States.

In the Federal Reserve Bank of Richmond alone, in 1922 they handled 42,884,000 checks for collection amounting to \$8,762,000,000. In 1923 the number was increased to 47,226,000 and the amount to \$13,111,000,000. In 1924 the number of checks had dropped to 43,779,000 but the amount had increased to \$13,254,000,000.

In addition to this number of checks cleared in the Fifth Federal Reserve District (and I wish to remind you that that is between 5 per cent and 6 per cent of the system as a whole) there were cleared in 1923—176,970 direct letters carrying with them checks amounting to \$1,680,000,000, and in 1924 the direct routing letters in addition to the checks which I have mentioned before were 184,895 in number involving \$1,622,000,000.

Taking the system as a whole for the last three years—in 1922 the number of checks cleared was 638,000,000 and the value over \$160,000,000,000. In 1923, 697,000,000 checks with a value of more than \$207,000,000,000. In 1924, 742,000,000 checks with a value of \$219,000,000,000.

So you can see this vast collection system the like of which was never seen or dreamed of in this country before. The volume of business has increased year by year both as to number and amount. The service has been entirely free for the banks and of course the benefit of that service is passed on directly to the depositors in the banks from whom your customers come in a large measure.

In addition to that this check collection system has accomplished a number of other things. In the first place it has effected the collection of checks in practically one half of the time required to collect checks before. This has been brought about largely by sending checks very much more directly

than they were sent before and by having the proceeds of checks settled for by telegraph. A telegraph system connects all of the Federal Reserve banks and by means of it there is a daily settlement for all checks. For instance, if a check is deposited in a Richmond bank and is payable in San Francisco, it formerly went across the country by a number of different leaps, landing over night in one city and then in another and so on. In returning it had to come back by the same route and through the same banks. Now that check is deposited directly with the Federal Reserve bank of Richmond and sent immediately to the Federal Reserve bank in San Francisco and the day the collection is made in San Francisco, the proceeds are wired to the Reserve Bank in Richmond and all of this service has been rendered to the country absolutely free of charge.

There is still another feature of the collection system which is of tremendous interest to the business man, one which is so complicated I can't go into all of its details on this occasion, but will mention only one or two of the principal features. It has very greatly lessened the credit risk in handling checks. Formerly when a check took this complicated route it went from bank to bank, sometimes to eight or ten banks before it was collected and the proceeds came back the same way. As a matter of fact, if any one of those banks in that chain should fail during the return journey, the owner of the check instead of having a check or the money would have a claim against a failed bank that he probably had never heard of before.

Moreover, in the combination of scattered collection systems which we had before the establishment of the Federal Reserve collection system, checks went in all kinds of directions and they went directly and indirectly. They were handled by all kinds of agents and sub-agents with the consequence that the holder of the check did not and could not be certain that the

most effective method of presenting a check to the bank on which it was drawn, and getting the money for it, would be used because it was impossible to expect all of these sub-agents to do all of these things. They did not do them.

Now checks on member banks go to Federal Reserve Banks and directly to the member banks to be accounted for to the Federal Reserve Bank. Checks on non-member banks on par listing likewise go to the Federal Reserve Banks and they are sent directly to non-member banks on which they are drawn and returned immediately to the Federal Reserve Banks. Handling the business as they do, being in constant touch with the banks, members and non-members, the Federal Reserve System is enabled to give the business man of this country an infinitely more effective service in the collection of checks and in securing the return of the checks, or the amount of it, than was ever possible in this country before.

It has been estimated, and I think very conservatively, that the saving to the business interests of this country by the check collection system alone which you have seen from the figures I have given you, is growing by leaps and bounds each year, and is not less than \$100,000,000 in a year. The entire cost of operating the Federal Reserve System, if all of its banks and branches are included, is less than one third of that sum. In addition, and as a very natural offshoot of the collection system, the Federal Reserve Banks have established a system for transferring funds by telegraph for the benefit of member banks and through them for the benefit of the public.

During 1923 the Federal Reserve Bank of Richmond had 84,565 such transfers, amounting to \$2,747,000,000. In 1924 the number was 96,378 and the value \$3,287,000,000. Think of that compared with any experience of banking in previous days! The transfer out of this district of \$2,700,-

000,000 in one year and \$3,200,000,000 the next year without a cent of cost to any bank involved or to any customer of the bank for whose benefit these transfers were made!

The figures covering transfers for the entire country are of course very much more impressive.

In 1922 there were 1,190,000 transfers between Federal Reserve Banks and branches, amounting to \$70,000,000,000.

In 1923 the number was 1,413,000 and the value \$78,000,000,000.

In 1924 the number was 1,503,000 and the value more than \$98,000,000,000. Remember that those were in addition to the vast volume of clearing figures which I have mentioned before.

When the Federal Reserve Banks were established, it was clearly understood that one of the benefits which would accrue to member banks would be that they would not be required to carry as many bank accounts in other cities as had been necessary prior to that time and with the gradual development of the collection system and the wire transfer system, there has been built up another system which would have been utterly impossible under our old banking laws and our old banking methods of doing business. That is the Federal Exchange Draft.

It is possible now for any member bank to make arrangements with the Federal Reserve Banks, under which arrangement it may draw a draft by a special form and daily report to the Federal Reserve Bank the number and amount of such draft drawn. It issues those drafts and has them accepted for immediate credit in any part of the United States. Whether the bank has occasion to remit to New York, Chicago, Philadelphia, Boston, San Francisco, Seattle or any place in which there is a Federal Reserve Bank or branch, the one single draft form will do and no account is necessary in any of those places.

That system is comparatively young at the present time. It is true that it was instituted a num-

ber of years ago, but in the beginning limitations were placed on the amount of the draft. When the system was first brought out the ridiculous limit of \$250 was placed so that no check could be drawn for more than \$250. The limit was later raised to \$5,000 and has very recently been raised to \$50,000 so that no one of these Federal Reserve drafts is drawn for a larger sum than \$50,000, but the same bank can draw as many as it pleases in a day.

Moreover, the enormous extent to which the telegraphic transfer system has been developed has made the Federal Reserve Exchange draft comparatively useless for large amounts and it is now used mostly for banks remitting small amounts where New York, Chicago, Philadelphia or Boston exchange is needed.

In addition to the collection of checks, Federal Reserve banks have collected government coupons that would have been a matter of very small interest indeed prior to the European war because there were very few holders of United States bonds outside of the banks using them as a basis for the issuance of National Bank notes. But with the sale of something like \$24,000,000,000 of securities the holders of government bonds have enormously increased and are scattered all over the country. Therefore, the service of the Federal Reserve banks in collecting government coupons, has been of great value.

During 1922 the system collected for member banks at member banks, 81,000,694 coupons, amounting to \$759,000,000.

In 1923 the number of coupons had decreased to 64,622,000 but the value was \$761,000,000.

In 1924 the number had still further decreased to 50,471,000 with a value of \$719,000,000.

Of course those figures tell another story. In the first place the decreased number of coupons was occasioned by the fact that in the beginning bonds were sold in very small denominations and very

large numbers and there has been a gradual consolidation of bonds into higher and higher denominations. Moreover, as the years have gone by, a part of our debt has been paid off, so consequently the amount of interest due by the government has decreased year by year.

In addition to that collection system the Federal Reserve banks have instituted what they call a non-cash collection system, that is the collection of all sorts of drafts and notes and bills of exchange, some carrying documents and some without. In 1922 the number handled by the system was 4,722,000 and the value \$4,768,000,000. In 1923 the number was increased to 5,732,000 and the amount to \$5,900,000,000. In 1924 the number was increased to 6,113,000 but the value had decreased slightly to \$5,509,000,000.

One of the principal reasons for the establishment of the Federal Reserve System was to create an elastic currency. It is entirely unnecessary for me to take up any of my time or yours in rehearsing the defects of our currency system prior to the adoption of the Federal Reserve Act and the establishment of the Federal Reserve banks. Most of you have been in business for a longer time than that and all of you know very well what happened. You all know, of course, that every single panic was preceded by more or less of a currency panic. Since the issue of Federal Reserve notes by Federal Reserve banks based partly on gold and partly on liquid paper, there has been no such thing in this country as a currency panic.

During 1922 the Federal Reserve banks handled 1,424,000,000 pieces of paper, amounting to \$8,602,000,000. At the same time they handled 1,947,000,000 coin amounting to \$201,000,000. In 1923 the number of notes handled was 1,722,000,000, the value \$10,306,000,000. The number of coin increased from the previous amount to 2,076,000,000 and the value to \$308,000,000. In 1924 the notes still

further increased to 1,838,000,000 with a value of \$10,777,000,000. The number of coin still further increased to 2,186,000,000 with a value of \$293,000,000.

Moreover, this currency, under the operation of our system has been absolutely as elastic as it is possible for any currency system to be. If you will picture to yourselves twelve Federal Reserve banks and two odd branches, say thirty-five offices in all, each one the center of a certain district, and if you will picture still further that from each one of those offices to every part of the district by which it is surrounded there is constantly flowing out a stream of currency and coin day by day, and at the same time a stream of currency and coin day by day is flowing in, you may be able to understand the system. The Federal Reserve Banks or branches are called on for currency and coin and it is supplied to the member banks. When the need for that currency and coin in the channels of trade, in the pockets of the people, in the tills of the merchants, in the cash-drawers of the banks has passed, it immediately flows back so that when the occasion arises, such as a crop-moving period or the increased activity of certain lines of business around Christmas and there is an immense increase in the demand for actual currency and coin, the out-going streams continue and the incoming streams stop. When the use for that currency and coin has passed, the out-going stream is checked up and the incoming stream is stopped.

A great many ignorant people have accused the Federal Reserve System of lowering prices by dumping immense quantities of currency on the country. Such a thing is absolutely impossible. It is impossible for the Federal Reserve Bank to keep in circulation outside of its own business a single dollar of currency that the public doesn't need and isn't only perfectly willing, but anxious to have. As soon as you accumulate too much money in your pocket, you

put it in the bank. As soon as the merchant gets too much in his till, more than he needs for immediate purposes and for change, he puts it into the bank. It doesn't count on reserve in the bank, the bank immediately sends it to the nearest Federal Reserve bank or branch and it goes out for circulation automatically.

One of the purposes for which the Federal Reserve System was established was to furnish a discount market, and I have here just a very few figures showing the volume of discounts during certain years.

In 1914 the total amount of bills discounted by the Federal Reserve System was \$22,000,000. By 1917 the total was \$10,152,000,000. In 1920 it had risen to \$97,527,000,000. In 1922 it had dropped again to \$28,543,000,000 and in 1924 it had dropped still further to \$19,863,000,000.

During that time, however, we can say that every member bank and practically every non-member bank in the country was able to discount at all times, all the paper that it had any business on the face of the earth rediscounting anywhere. Notwithstanding the fact that these enormous issues of bonds were placed out through the banks so that their credit was strained to the utmost, the facilities of the Federal Reserve System were sufficient to take care of the whole of it.

That occasion has passed. We are now getting to very much more normal times. We still have, of course, a great many very serious banking problems with us and particularly in the direction of credits, because there are some things which a Federal Reserve System can not do. A Federal Reserve System cannot supply credit indefinitely and it was fortunate for this country that when the greatest strain came on the system, the strain was not greater than the system was calculated to bear and that is a fact for every intelligent citizen to keep in mind, particularly as there are a number of sugges-

tions floating around, some of which have gotten as far as Congress and many others will get to Congress, looking to a still further reduction of the required reserve which means the weakening of the Federal Reserve System.

It is perfectly true that under ordinary occasions the Federal Reserve System could give up a good deal of resources that it has and still function, but the grave question is, would it be sufficiently strong to stand any strain that might be put upon it if it were very seriously weakened.

Another thing which the Federal Reserve System can not prevent is bank failures. It can prevent and it has prevented a great number of bank failures which otherwise would inevitably have taken place. But in those cases the assets of the bank were sound. The banks, it is true were tremendously extended. They had gotten into the extended condition during the period of business when deposits had increased with leaps and bounds and were unable to liquidate quite as fast as the depositors required the money. In every single case of that kind the Federal Reserve System has saved the bank.

On the other hand there were a number of other banks which had not only gotten into an extended condition, but had made uncollect-

ible loans. You gentlemen know, of course, that situation in which a man's capital is absorbed by bad debts and no amount of credit can possibly save him, that is to say, no amount of lending to keep his doors open is going to replace a loss which has been actually made. In every case that I know of, certainly every case in this district, in which a member bank has failed, it has been because of the injudicious management, the making of loans which could not be collected and were ineligible for rediscount, or absolute losses some of which impaired the capital of the bank seriously and in other cases absolutely wiped out the capital and earned surplus of the bank, leaving a deficit to that stockholder and national banks have in a number of cases had to bear assessments in order to make payment to the depositors.

There have been other cases in which the depositors themselves have not received their deposits in full, so that the time will never come when it will be possible for Federal Reserve banks to save a bank which is rocking by its own mismanagement, and I think you will agree with me that it would be extremely undesirable to do such a thing because it would be abolishing the difference between efficient management and inefficient management.

EXAMINATION QUESTIONS—OKLAHOMA

Oct. 12, 13, 14, 15, 1925.

THEORY OF ACCOUNTS— MUNICIPAL

Monday Morning, October 12

Time allowed: From 8.15 a. m. to 12.00 noon.

Answer all questions. Answer by number. Do not repeat question.

1. Describe accounting method adequate for a small municipality that prepares budget covering the estimated expenditures for one year of five departments, as follows:

- (a) General Administrative Department.
- (b) Finance and Tax Department.
- (c) Police Department.
- (d) Fire Department.

(e) Department of Education.

Provide for the collection of taxes on real and personal property and licenses and disbursements on account of various departments.

Frame the necessary journal entries to record these facts on the books.

2. In what two general subjects may Municipal Accountancy be divided and what does each division embrace?

3. Results of the operations of a municipality are reflected in terms of what?

4. In principle, what, if any, difference exists between Commercial Accounting and Municipal Accounting?

5. In addition to the usual and ordinary class of accounts necessary to be kept in order to properly record business

transactions, what other class of accounts is necessary to be set up by a municipality?

6. The budget of a municipality for the year 1924 has allowed \$2,000,000 from sale of bonds to the Department of Sewers for new construction. Contracts have been awarded to the amount of \$1,500,000 and warrants have been paid by the Finance Department to the amount of \$1,200,000; the balance being retained by the municipality till expiration of the guaranty. Open market orders have been incurred to the extent of \$75,000, of which \$50,000 has been paid. Show ledger accounts expressing the above on the books of the Department of Sewers and state the balance available for further contracts.

7. State what you understand a municipal budget to be.

8. Differentiate between a segregated budget and a lump-sum budget.

9. To what group do the following accounts belong:

- (a) Taxes Receivable?
- (b) Available Balance?
- (c) Cash?
- (d) Unapplied (net cash) balance?

10. Define the terms "Unexpended Balance" and "Unencumbered Balance" with reference to appropriation accounts, and the manner by which the same are arrived at.

11. On the basis of a yearly salary of \$2,000, is it good accounting procedure to pay one-twelfth thereof each month? Give your reasons for your conclusion.

12. A municipality sells improvement bonds, the proceeds forming a fund out of which is defrayed the cost of certain improvements, the total expense of these improvements being assessed on the property benefitted. Bond redemptions are to be made out of assessments collected.

What journal entries would be required to record these transactions and what accounts should be set up on the ledger to reflect the same?

13. What fund is common to all municipalities in this State?

14. For what purpose is a sinking fund for a municipality created?

15. In setting up an appropriation account, what information is entered on the credit side and what on the debit side?

16. When a balance sheet of any fund under the control of a municipality at the end of a fiscal year reflects a "surplus," what disposition is made of the same?

17. Define the following accountancy terms as based on modern municipal usage:

- (a) Receipts.
- (b) Disbursements.
- (c) Revenue.
- (d) Expenditures.
- (e) Current Assets.
- (f) Current Liabilities.
- (g) Capital Assets.

(h) Capital Liabilities.

(i) Surplus.

18. Differentiate between income and receipts.

19. When a correctly prepared fund balance sheet reflects a surplus, what character of surplus is it and for what is it available?

20. By putting the accounts of a city on an income and expenditure basis, can all information relative to operating costs and revenues be obtained without analyzing the cash transactions? State the reasons for your conclusion.

POWERS, DUTIES AND COMPENSATION OF PUBLIC OFFICERS

Monday Afternoon, October 12

Time allowed: 1 p. m. to 3 p. m.

Answer all questions. Answer by number. Do not repeat question.

1. Under the constitution, name the departments into which the powers of the government of the State of Oklahoma shall be divided.

2. Name the elective State officers who compose the executive branch of State Government.

3. Define briefly the constitutional duties of

- (a) Attorney General.
- (b) Governor.
- (c) State Treasurer.
- (d) State Auditor.
- (e) State Examiner and Inspector.
- (f) President State Board of Agriculture.

4. Define the general powers and duties of

- (a) The County Board of Equalization.
- (b) The State Board of Equalization.

5. Name the officers who compose the County Excise Board and define the general powers and duties of the board.

6. May the State, for public purposes, engage in any occupation or business?

7. What are the powers and duties of the Legislature?

8. Of how many members is each House composed?

9. May the legislature pass any law exempting any property within this State from taxation?

10. When does an act passed by the legislature take effect?

11. What is the term of office of an elected State officer, and when does it begin?

12. (a) Name the term of office of the present county officers in Oklahoma:

- County Attorney.
- County Clerk.
- Court Clerk.
- Sheriff.
- County Treasurer.
- County Superintendent.
- County Assessor.
- County Surveyor.
- County Weigher.

(b) When does the term of office of the County Treasurer and County Superintendent begin, and when does the terms of the other above-named officers begin?

13. Who are the financial agents of the County?

14. Name five statutory powers given to every organized county of this State.

15. On what basis is the salary of county officers fixed by the legislature?

16. Define the general powers and duties of:

- (a) County Clerk.
- (b) County Assessor.
- (c) County Treasurer.

17. Where a bond issue has been voted for a city hall, may the officers of the city spend the same for a city hospital? State reason for your conclusion.

18. (a) May an officer's salary be increased during his term of office? Give reason for your conclusion.

(b) May the salary of a deputy in a county office be changed while he is filling the position?

19. Can County Commissioners or the County Treasurer extend the time of payment of taxes?

20. Through whom are the powers of the county as a body politic exercised?

REVENUE AND TAXATION

Monday P. M., October 12

Time allowed: From 3 p. m. to 5 p. m.

Answer all questions. Answer by number. Do not repeat question.

1. As used under the laws of this State, define:

- (a) Revenue.
- (b) Taxes.

2. (a) In what House of the Legislature must all bills for raising revenue originate?

(b) During what period of the legislative session may no revenue bill be passed?

3. Under what character of laws may taxes be levied and collected in this State and for what purposes?

4. Define the meaning of the term "General Laws" with regard to the levying and collection of taxes.

5. Define the term "Ad Valorem."

6. What property is exempted from taxation under the Constitution of the State?

7. In this State when does the fiscal year begin and when does it end?

8. May the State or any of the municipalities therein create a deficit in expenditures during a fiscal year?

9. (a) Name the officers who compose the State Board of Equalization.

(b) The County Board of Equalization.

10. For State, County, Township, City or Town and School District purposes, what is the maximum rate of levy permitted under the Constitution in any fiscal year for taxes on an ad valorem

basis, and how is it divided between the State and municipalities?

11. (a) Under legislative authority, what is the total levy authorized in any one year for "current expenses" for county, city, town, township or school district?

(b) What, if any, additional levies have been authorized?

12. What is the limit of taxes that may be voted for the purpose of erecting public buildings?

13. What is the limit of indebtedness that may be incurred by any county, city, town, township or school district?

14. May taxes levied for one purpose ever be used for any other purpose?

15. May a county, city or town become a stockholder in any company?

16. Name five special taxes authorized by the legislature to be levied and collected by the State under the authority of the Constitution.

17. May the State select its subjects of taxation independent of counties and cities?

18. As of what date in each year should property be listed and assessed for taxation purposes?

19. What constituted authority in each county prepares the tax rolls and extends the amount of the taxes against the property on the rolls?

20. On what day of the year are ad valorem taxes due?

AUDITING—GOVERNMENTAL

Tuesday Morning, October 13

Time allowed: 9 a. m. to 12 noon.

Answer all questions. Answer by number. Do not repeat question.

1. A city with an assessed valuation of \$1,500,000 and estimated receipts for current expenses from miscellaneous sources of \$88,200 and \$1,500 from sinking fund investments, has submitted for the ensuing fiscal year the following budget, which has been approved by the Excise Board:

For Mayor and Other Officers....	\$12,000
For Water Department.....	15,000
For Accruals on Bonds.....	10,000
For Fire Department.....	10,000
For Police Department.....	13,000
For Health Department.....	7,000
For Payment of Interest Coupons	3,000
For Park Department.....	5,000
For Street Department.....	10,000
For General Government.....	15,000
For Judgments.....	2,000

What levies must be made by the County Excise Board to provide the required revenue? Submit figures by which you reach your conclusion.

2. The assessed valuation of a city of the first class in this State for the year 1924 was \$50,000,000. For the fiscal year of 1924-25 the Excise Board of the County allowed total appropriations for current

expenses in the sum of \$300,000 and allowed as a part of the revenue to take care of the requirements and estimated income from miscellaneous sources other than ad valorem taxes the sum of \$30,000.

You may state what the total requirements of revenue were, and the amount of revenue required to be raised by ad valorem taxation and the mill rate of levy necessary to raise said revenue.

3. On June 30, 1925 (the close of the fiscal year), the records of said city reflected the following fiscal and fund operations for the current year.

Cash Account

Receipts:	
From Current Year's Taxes...	\$250,000
From Miscellaneous Sources...	35,000
Total.....	285,000
Disbursements:	
Current Year's warrants paid	\$280,000
Interest paid on same.....	1,000
Cash balance on June 30, 1925	4,000
Total.....	285,000

Taxes Receivable Account

Ad valorem taxes levied for current year:	
Budget requirements.....	\$270,000
For reserve for Delinquent Tax	30,000
Total Tax Levied.....	300,000
Amount of Taxes Collected.....	250,000
Balance in process of Collection June 30, 1925...	50,000

Miscellaneous Revenue Receivable Account

Estimated Income from miscellaneous sources other than ad valorem tax as allowed by Excise Board.....	\$30,000
Amount Collected over estimate	5,000
Total from this source...	35,000

Warrant Account

Current year's warrants registered	\$290,000
Current year's warrants paid..	280,000
Current year's warrants outstanding June 30, 1925.....	10,000

Interest Account

Appropriation for interest on warrants	None
Interest paid on current year's warrants	\$1,000

Appropriation Account

Total Appropriation allowed....	\$300,000
Expended to close of fiscal year.	290,000
Unexpended balance June 30, 1925	10,000

From this information you will prepare a Financial Statement as at the close of the fiscal year and said statement to contain:

1. Balance Sheet
2. Revenue Statement

and if you reflect either a surplus or deficit you will submit an analysis of the same,

AUDITING—GOVERNMENTAL

Tuesday Afternoon, October 13

Time allowed: 1 p. m. to 5 p. m.

Answer all questions. Answer by number. Do not repeat question.

Problem No. 1

A city of the first class in this State had an assessed valuation of \$70,000,000 for the fiscal year beginning July 1, 1924, and ending June 30, 1925.

At the close of the fiscal year June 30, 1924, a financial statement and an estimate of needs for the ensuing fiscal year was prepared and filed with the County Excise Board, requesting appropriations for current expense purposes for 1924-1925 in the total sum of \$400,000.

The financial statement as of June 30, 1924, reflected a surplus of \$20,000 and showed receipts collected from Miscellaneous sources the preceding year in the sum of \$35,000.

The Excise Board allowed appropriations for \$400,000, approved the surplus of \$20,000, and allowed the estimate of income from Miscellaneous sources other than ad valorem tax of \$35,000 for the fiscal year 1924-1925.

Surplus of \$20,000 shown on balance sheet of financial statement as of June 30, 1924, was arrived at in the following manner:

1. Cash on hand June 30, 1924. \$18,000
2. 1923 Taxes in Process of Collection (Net)..... 9,500
3. 1923-1924 Warrants Outstanding

7,500

In order to provide the revenue to take care of budget requirements for the fiscal year 1924-1925 the Excise Board allowed the surplus of \$20,000 and Estimated receipts from Miscellaneous sources in the sum of \$35,000, and ordered a six mill levy on said valuation to raise the remainder of the revenue.

When the taxes became payable, a taxpayer paid his taxes under protest, alleging that the Excise Board had made an error in providing the revenue for the budget requirements. Was the protest well founded, and if so, explain in detail by figures why?

Problem No. 2

At the close of business January 31, 1925, the city above referred to desired to produce a financial statement of the General fund. On that date the ledger reflected the following facts:

1. Cash Balance June 30, 1924. \$18,000
2. Cash Received from current taxes
3. Cash Received for 1923 taxes
4. Cash Received from 1922 and prior year's taxes.....
5. Cash Received from current year's estimate from Miscellaneous sources.....
6. 1923-1924 Warrants Paid....
7. Interest paid on the same...
8. Current year's warrant paid
9. Interest paid on the same...

On the same date the appropriation and general fund account reflected the following facts:

Claims allowed and warrants issued on current year appropriations \$285,000

Prepare a balance sheet and a Revenue Statement as of January 31, 1925. If you reflect a surplus or deficit analyze the same and show in what items of operation it occurred.

Note.—In preparing the answer to this question the amounts used in Problem 1 must also be considered in Problem 2.

Problem No. 3

A municipality obtained a tax levy as follows:

For General Fund purposes	8.44 Mills
For Sinking Fund purposes	4.9 "
Total.....	13.34 "

On the basis of this levy \$25,000 was collected during a certain month of the fiscal year.

What part of said amount belongs to the General fund and what part to the Sinking fund?

On what basis should the amount collected be apportioned to each fund?

THEORY OF ACCOUNTS

Wednesday Morning, October 14

Time allowed: From 9 a. m. to 12 noon.

Answer all questions. Answer by number. Do not repeat question.

1. Define Assets and Liabilities.
2. Define Proprietorship. Set out the two customary forms of the proprietorship equation.
3. What are the three types of business organization?
4. (a) In what way and why is accounting so closely related to economics?
(b) To law?
5. (a) What are Current Assets?
(b) Fixed Assets?
(c) Current Liabilities?
(d) Fixed Liabilities?
6. Explain briefly:
(a) Reserve for depreciation of building.
(b) Reserve for bad debts.
(c) Prepaid expense.
(d) Accrued expense.
7. Explain and illustrate the handling of:
(a) Deferred expenses.
(b) Accrued expenses.
(c) Accrued Income.
(d) Deferred Income.
8. Define:
(a) Analysis.
(b) Synthesis.

9. A corporation just organized has a capital of \$200,000, viz., 1,000 shares common and 1,000 shares preferred stock, par value \$100 each.

The patents were bought of the patentee for \$50,000 common and \$50,000 preferred stock. The patentee donated one-half of each issue of his stock to the company for its use in securing additional capital. Show entries necessary to record these transactions and state what accounts you would set up in relation thereto.

10. In formulating a profit and loss statement for a manufacturing concern in which factory rent is an element, under what classification would you allocate it in order to be economically sound?

11. Explain six different ways of apportioning depreciation charges from year to year and point out clearly their distinguishing features.

12. (a) What is the relation of nominal accounts to real accounts?

(b) How do these accounts fulfill the purpose for which they are created?

13. (a) Describe the process of changing a set of books from single to double entry.

(b) Give an example of a single proprietor.

14. In the books of a corporation the following accounts are found: Reserve fund, Sinking fund, Depreciation, Suspense. Classify these accounts as to assets and liabilities and explain their use.

15. State briefly the entries necessary to open a set of corporation books so that the assets and liabilities may appear properly in the ledger.

16. How should credit balances appearing in a partner's drawing account and salary account be reflected on the balance sheet of the partnership?

17. A typewriter was bought for \$100 and charged to office furniture account. During the past four years \$40 was written off for depreciation. A new machine is now bought for \$100, \$75 being allowed for the old machine, balance in cash. Show the proper entry and justify it.

18. May Assets and Liabilities change among themselves without affecting the economic arrangements?

19. In case of bankruptcy of one of the partners, how is his share of the loss borne by the other?

20. Distinguish carefully between the depreciation account and the depreciation reserve account and explain the difference between the two.

21. The Jones Manufacturing Co. shipped a bill of goods amounting to \$300 to a customer, rendering the usual invoice therefor. The goods were destroyed in transit by a railway wreck. The Jones Co. subsequently made a second shipment to its customer to replace the lost goods, and collected \$300 from the railway company in payment of the lost shipment. To what account should this latter \$300 be credited?

22. Why is it important to discriminate

between capital and revenue expenditures?

23. Why should indebtedness to employees and indebtedness to other creditors be shown separately on financial statements? Give reasons.

24. (a) In what way is a ledger analytic?

(b) In what way is it synthetic?

25. From the view point of a balance sheet, what is the logical place of:

(a) Reserves for depreciation of physical assets created by charges to operation?

(b) Operating reserves?

(c) Reserves for redemption of liabilities?

(d) Reserves for contingencies?

Give reasons for your opinion.

AUDITING

Wednesday Afternoon, October 14

Time allowed: 1 p. m. to 3 p. m.

Answer all questions. Answer by number. Do not repeat question.

1. In case a fire completely destroyed the stock of merchandise of a manufacturing firm and no stock account has been kept, how may the merchandise loss be accurately determined? Illustrate the procedure.

2. A cashier disburses and receives cash and checks and has charge of the ledger accounts. He is suspected of irregularities. What auditing procedure would disclose his method of covering the shortage?

3. What are the details to be considered in auditing vouchers for money disbursed? What is to be anticipated and guarded against?

4. The Western Farm Machinery Company sells its product to farmers on three years' credit, payable in three equal annual installments. The cost of production for 1921 is \$10,987,600; sales, \$13,210,900; selling and administration expenses, \$223,300, including all contingencies.

Find an equitable method of stating profits for the year, and set up the necessary calculations and accounts to reflect the same.

5. In classifying the items of a statement of profit and loss, under what caption should the following items appear to be logically allocated: Freight on sales, fire insurance on factory buildings and raw materials, insurance on goods in transit to customers, insurance of employees, salary of factory watchmen and salesroom watchmen?

6. Write two forms of certificates such as might be given to a client upon your completing an audit for the fiscal year of the company.

7. If you were sent to make the first audit of a concern, what are the steps you would take?

8. What method should an auditor employ in determining the value of stock, of accounts receivable, of additions to plant and property account?

9. In auditing the books of a concern you detect the following:

A customer paid \$100 in currency on account of a debt and returned \$10 worth of merchandise. The entry in the cash book records a receipt of only \$90 and the return book a return of \$20. The money not properly accounted for was taken by the bookkeeper.

In reporting these facts, state where in this transaction you find a defalcation, a fraud committed or an embezzlement.

10. In auditing the books of a corporation capitalized at \$250,000 you find that three years previously they acquired the business of a co-partnership, included in which was an asset, called good-will, valued at that time at \$25,000, since which the same has not been written down. The average profits of the corporation for the three years have been 9 per cent on the capitalization. How would you treat the item, good-will, if the minimum returns expected on investment was 6 per cent?

Illustrate by figures and give reasons.

COMMERCIAL LAW

Wednesday Afternoon, October 14

Time allowed: From 3 p. m. to 5 p. m.

Answer all questions. Answer by number. Do not repeat question.

1. Define Commercial Law.
2. Give the four essential elements of a contract.
3. What two classes of contracts are unenforceable?
4. What is the statute of limitations on:

- (a) An open account?
- (b) A negotiable note?
- (c) An instrument under seal?
- (d) A judgment?

5. A corporation leases a store, possession to be given at a future time. Prior thereto it dissolves and two of the stockholders orally promise the lessor to be responsible for the rent. Can they be held? If so, why? If not, why?

6. (a) What is the difference between express and implied contracts?

(b) What is a quasi contract?

7. (a) What is a condition precedent?

(b) What is a condition subsequent? Illustrate each.

8. Jones offers to sell to Smith his automobile for \$1,000. Smith replies that he will give him \$950. Jones refuses this, and thereupon Smith says that he will accept the \$1,000 offer. Jones then refuses to sell. Is he bound?

9. What five formal requisites are necessary to make a promissory note negotiable?

10. (a) What is the legal rate of interest in Oklahoma?

(b) What is meant by "usury"?

(c) What is an endorsement "without recourse"?

(d) When, if at all, does a check operate as an assignment of funds to the credit of the drawer?

(e) Name six changes that are held to be material alterations of an instrument under our statutes.

11. (a) What is novation?

(b) How many parties to a novation?

(c) Distinguish between a novation and an assignment.

12. What are the six essential elements of a partnership?

13. Jones is in the business of manufacturing oil-well supplies at Tulsa, Okla. Smith sells the products of the factory on the road. The profits on the business are equally divided between Jones and Smith, neither drawing any stated salary. The factory belongs to Jones; all goods are bought and sold in his name, and he has the entire management of the factory, while Smith has no voice in the business except to dispose of the product. Are Jones and Smith partners? Explain the reasons of your answer.

14. In organizing a corporation, name six provisions that should be covered by the articles of incorporation.

15. Name six implied powers possessed by corporations.

16. The Capital Brick Company is an Oklahoma corporation with an authorized capital of \$25,000 fully subscribed and paid up. Jones wishes to buy stock in the company and the officers, without making any change in the corporation's articles, take his check for \$5,000 and issue to him a certificate for that amount of stock. Can Jones vote his stock at a stockholders' meeting? What is Jones' relation legally to the corporation? Explain briefly the reasons for your answer.

17. What is a bailment?

18. State the difference between a pledge and a mortgage.

19. Summarize briefly the provisions of the Statute of Frauds.

20. Does bankruptcy discharge a judgment rendered against a person for slander? Give reasons for answer.

PRACTICAL ACCOUNTING

Thursday Morning, October 15

Time allowed: 8.15 a. m. to 12 noon.

Answer all questions. Answer by number. Do not repeat question.

Problem No. 1

The treasurer of the Union Manufacturing Company submitted the following figures, taken from the ledger of the com-

pany, as representing the condition of the business December 31, 1924:

Cash	\$7,500
Accounts Receivable.....	45,000
Notes Receivable.....	1,875
Inventory:	
Raw Materials	\$20,000
Labor	30,000
Manufactured goods....	16,250
	<hr/> 66,250
	<hr/> 120,625

Accounts Payable	5,875
Notes Payable	20,000
Capital Stock	80,000
Surplus December 31, 1924.....	14,750
	<hr/> 120,625

A comparison of the above statement with a former one showed a net loss for the period of \$6,250. The directors had expected a profit, basing their expectations on the result obtained by applying their cost calculations to the volume of sales for the period, and they employed an accountant to investigate the matter. All the nominal accounts had been closed into either the Merchandise Account or the Profit and Loss Account, and an analysis of these accounts disclosed the following:

Inventory at beginning of the year 1924:

Raw Materials	\$22,500
Labor	32,500
Manufactured goods.....	55,000
Purchases During Period.....	50,000
Labor	87,500
Wages Unproductive Labor.....	10,000
Traveling Expenses	26,250
Salaries	19,000
Rent	3,750
Bad Debts	6,375
Depreciation	1,500
Interest	625
Sales	250,000
Return Sales.....	7,500

Consumption of material and labor shown by the cost records was:

Material	\$45,000
Labor	80,000

Prepare a statement showing any discrepancy that may exist in the above figures; also a statement of income and profit and loss, cost of production and of goods sold, showing variations from cost records, and a statement of assets and liabilities December 31, 1924.

Problem No. 2

The Acme Manufacturing Company, on January 1, 1919, placed in service a piece of machinery which would depreciate, according to its chief engineer, at the rate of 15 per cent per annum. The original cost of this machinery was \$84,000 and the board of directors agree to set aside annually a sinking fund which, together with the interest thereon, will amount to the original cost at the end of the prospective life of the machinery. This sinking fund is to be deposited with a trust company on December 31st of each year and a corresponding amount at the end of the last partial year of the life of the

machinery; interest is to be credited by the trust company at each of these dates at the rate of 4 per cent per annum. Show how the amount of the annual sinking fund payment may be arrived at and prepare a detailed statement for the board of directors, proving that the amount so obtained is correct.

PRACTICAL ACCOUNTING

Thursday Afternoon, October 15

Time allowed: 1 p. m. to 5 p. m.

Answer by number. Do not repeat question.

Problem No. 1

Jones conducts a general real estate business but specializes in opening up new subdivisions. He agreed with Bryant that if Bryant would furnish the capital necessary to buy and develop the Hillside subdivision, he, Jones, would undertake to sell it for their joint account. Jones was to receive no salary for selling the property and keeping the books but all other selling expenses were to be charged as expense. No allowance is to be made for interest on partner's balances but all other expenses are to be charged and the profits divided equally.

On February 1, 1925, they purchased the twenty acres comprising the subdivision at \$3,000 per acre, paid one-half in cash from Bryant's funds and gave a 6 per cent mortgage for the balance. By the terms of the mortgage, any part of the property could be released from the mortgage at any time by paying the pro rata amount. In February and March the property was improved by grading, etc., at a cost of \$10,000, which was also paid from funds supplied by Bryant.

The property was subdivided into 160 lots of equal size, 80 of which were listed to sell at \$900 and the balance at \$600.

The \$900 lots were sold, 45 in May and 23 in June and 12 were still unsold at June 30th. The \$600 lots were sold, 29 in May and 35 in June, leaving a balance of 16 still unsold at June 30th.

All the lots were sold for one-half cash and the mortgages for the balance were immediately sold to banks at par without endorsement or guarantee. In each case the lots were released from the purchase money mortgage by payment of the pro rata amount. The releases were obtained and the payments made on the last of the month in which the sale was made.

The expenses of advertising and "selling," amounting to \$11,000, were paid by Jones from the proceeds of the sales, which he had deposited in his own account when they were received. He also made the payments on the mortgage.

Prepare a statement showing the respective interests of the two partners; a statement showing the profits to June 30, 1925; a cash account, and a balance sheet at June 30, 1925.

REPORT OF COMMITTEE ON CODE OF ETHICS

A. C. UPLEGER, C. P. A., Chairman

Read at Richmond, Va., September 11, 1925

BELIEVING it essential, if we seek to elevate the standards of our profession, to establish a written code of correct practice which should help us to think and act correctly and honorably, which should serve as a gauge by which the public may appreciate our own estimate of correct practice and which will constitute a statement of ideals so as to induce confidence and good will, The American Society of Certified Public Accountants subscribes to this code of ethics, believing it to be educational and a composite of the best ideals of our craft.

The foundation of our profession is confidence which can arise only from integrity, fair dealing, efficient service and mutual benefit. We must put service to our fellow man above self and remember that our profession affords a distinct opportunity to serve society. We must do our bit and sacrifice ourselves that our country and community may be a better place in which to live, that we may make better conditions for business and that we may contribute our share to human progress.

We must have in mind that good service depends on character as well as knowledge; on fidelity as well as on competence. As accountants, we are to be gauged by mental and moral integrity. The interests of the client are to be safeguarded, and when employed the accountant must give his best ability expressed in honest, conscientious service. Superficial brilliancy of achievement and extravagant claims for superior service may sometimes make strong appeal but the good will of our clients is our greatest asset and only by sustained achievement over a period of time is the title "C. P. A." worthily established.

The certified public accountant should actively affiliate with the state and national organizations of

certified public accountants, contributing thereto of his time, capability and means.

Each certified public accountant in accepting a state granted certificate subscribes to the above enumerated principles and to the following practical application of them, recognizing that:

A. All business or professional announcements should be simple in form and character, including only statements of fact. Self-laudatory assertions or specific promises are unprofessional. All such announcements should contain the names of the individual certified public accountants who are members of the organization issuing them, rather than depending entirely on the firm or corporate name to carry prestige or create a false impression as to the strength of the organization. C. P. A. service is primarily a personal service.

B. Every certificate, exhibit, report, schedule or statement signed by a certified public accountant should have been prepared and the work on which it is based should have been done by him, or under his immediate direction or supervision, or under the immediate direction or supervision of the staff organization with which he is connected. C. P. A. service rather than a C. P. A. signature should be furnished.

C. Certified public accountants, in signing certificates, reports, schedules or statements, should recognize their responsibility to employer, client, fellow practitioner and the public, for any misstatements appearing thereon, or omissions of facts essential to a proper understanding of the particular problem. The primary duty of a certified public accountant is to establish all the facts, presenting them in a comprehensive manner, rather than support a particular theory. The suppression of

facts is equally reprehensible with misrepresentation.

D. All information secured by a certified public accountant in the discharge of his duties should be considered confidential and should only be used in the preparation of the particular certificate, exhibit, report, schedule or statement upon which he may be working. It is unprofessional to use such information for private gain, and the undivided fidelity which should be shown every client would preclude its use in any other engagement.

E. A certified public accountant should never associate himself with a business organization under such conditions that profit will accrue to him, other than the regular fee-compensation, because of any certificate, exhibit, report, schedule or statement which he may prepare. There should be no division of fees with the laity. No certified public accountant should derive any profit, directly or indirectly, except fees for professional services rendered and, because of the type of service rendered, should not accept appointments or enter into contracts on a contingent-fee basis unless he appears in the role of an advocate as well, in which case the code of legal ethics should be observed.

F. The individual certified public accountant should uphold the traditions, standards, dignity and honor of the profession and whenever there is proper ground for complaint concerning the professional actions of any other certified public accountant it is his right and his duty to submit any facts of which he may have knowledge to the State Board of Accountancy, or the State Society of Certified Public Accountants in his particular jurisdiction.

G. No certified public accountant should aspire to office in a state or national society, or state board of accountancy for the personal distinction the position may bring. The spirit of service should be uppermost in the minds of all such officials.

H. All efforts, direct or indirect, to encroach in any way upon the business of another public accountant by soliciting his client or by offering employment to his employees are unworthy, unethical, unprofessional and should be condemned. There is, however, no such thing as a property right to any particular client or employee. Each such relationship is based on service rendered or anticipated. To initiate negotiations with client or employee is unprofessional. To render service on request of another is right and proper. Courtesy would suggest that the other accountant should be notified. Professional solicitation of business, even though general in character, from concerns who have employed public accountants, is not justifiable. The certified public accountant will rely for his success on the excellence of his own service.

I. Whenever certified public accountants find themselves engaged in litigation, each should observe all professional courtesies towards the others and toward the court.

J. Certified public accountants should protect the interests of their clients by advising against needless work or investigations which may be suggested, even though a temporary increased income might be realized.

K. No client, corporation or individual however powerful, nor any cause, civil or political, however important, is entitled to receive, nor should any certified public accountant render, any service or advice involving disloyalty to the law, or disrespect of courts, or corruption of any person or person exercising a public office of private trust, or deception or betrayal of the public. When rendering any such improper service or advice the certified public accountant invites and merits stern and just condemnation. Correspondingly, he advances the honor of his profession and the best interests of his client when he renders services or gives advice tending to impress on the client and his under-

taking exact compliance with the strictest principles of moral law. He must also observe and advise his client to observe the statute law. But above all, a certified public accountant will find his highest honor in a deserved reputation for fidelity to private trust and to public duty, as an honest man, and as a patriotic and loyal citizen.

L. Contracts and undertakings, written or oral, are to be performed in letter and in spirit. Changed conditions do not justify their cancellation without mutual consent. Clandestine arrangements with other accountants are not to be entered into.

M. Representations of service should be truthfully and scrupulously fulfilled, even though a pecuniary loss may be sustained.

N. Corporate form of organization should be discouraged, but when used it does not absolve the individual from or alter the moral obligations of individuals. The certified public accountant receives his title by examination and this title can not be transferred to a corporation except through the personal contact of certified men.

O. The certified public accountant should be properly remunerated by the public for his technical knowledge and skill in the preparation of audits or in the performance of other work, and his fee for such professional work should take into account the time consumed, the responsibility assumed and the knowledge of the special class of work.

P. The certified public accountant should strive to perfect and enlarge his professional knowledge. He should contribute his share toward the scientific development of his profession and encourage and participate in investigation, research and study.

Q. The certified public accountant should expose any corrupt or dishonest conduct of any member of his profession which comes to his certain knowledge through those accredited processes provided by civil law or the rules and

regulations of C. P. A. organizations and he should aid in driving the unworthy out of the profession.

R. The certified public accountant should not aid any person to evade legal requirements regarding character or experience by carelessly or improperly endorsing or approving statements relating thereto.

S. If an employer, the certified public accountant should remember than an interest in the personal advancement of his employe will secure that cooperation which is necessary to the highest group efficiency.

T. If an employee, the certified public accountant should remember that his relations with his fellow workers, his employer, and the clients of his employer, require a careful and conscientious observance of the professional proprieties.

U. If a fellow certified public accountant should require advice or professional information compatible with paragraph D of this Code, it should be freely and courteously given.

V. If still undecided which course to pursue, do as you would that others should do unto you.

Recommendations of the Committee

The Committee presents the above Code of Ethics with the following recommendations:

1. That all state societies be urged to adopt a Code of Ethics similar in character to the one presented herewith.

2. That the regulation of the individual members of the profession be governed by this Code, and that the regulatory powers be vested in the various state societies of certified public accountants, the Committee believing that the state societies understand more fully the local conditions affecting the profession and are in much closer touch with the individual members,

3. That the incoming President appoint a standing committee on Ethics whose duty it will be to receive and consider complaints, suggestions, and make recommendations to the Board of Directors for the regulation of the Code and that this committee should, in addition, exert its best efforts to the end that all state societies will adopt codes of a similar nature.

4. That the Code, as submitted by this committee, be published in suitable form to be presented to all certified public accountants.

Signed:

A. C. UPLEGER, Chairman.

WILLIAM CLABAUGH.

E. G. SHORROCK.

Committee on Code of Ethics.

ANNOUNCEMENTS

H. L. Leeson, C. P. A., formerly with Silbert, Leeson & Sherris, announces that he is now associated with A. H. Ganger & Co., Public Accountants, 2104 Guarantee Title Bldg., Cleveland, Ohio.

Robert Caruba, C. P. A., formerly with the Department of Justice, announces that he has opened an office at 720 Kinney Building, Newark, N. J., for the practice of public accounting under the firm name Robert Caruba & Company, Certified Public Accountants.

Wm. Reuben Lefferts, C. P. A., announces that he is engaged in the practice of accounting at 820 Land Title Building, Philadelphia, Pa.

Alexander X. Kuhn, C. P. A., announces the opening of offices in Indianapolis and Chicago for the practice of accounting under the firm name of Alexander X. Kuhn & Co., Certified Public Accountants, 1001-134 E. Market Street, Indianapolis, Indiana, and 437 West Ontario Street, Chicago, Illinois.

Frederick B. Hill & Company, Certified Public Accountants, Norfolk, Va., announce that Mr. W. S. Coursey is now Resident Manager of their Charlotte, N. C., office, Johnston Building.

Percy S. Barrett, C. P. A., announces his withdrawal from the firm of L. C. Goetting & Co., and the opening of an office at 51 East 42nd Street, New York City, under

the firm name of Percy S. Barrett, Certified Public Accountant.

Bernstein, Yurow & Co., announce the removal of their offices to 732-733 Earle Building, Washington, D. C.

Owen B. Smith, formerly senior member of the firm of Stephenson Smith-Penney Co., announces that A. Frank Frink, C. P. A., has become associated with him to continue the general practice of accounting. Offices of the former partnership have been retained in their entirety and the firm will hereafter be known as Smith-Frank Co., 315 Montgomery Street, San Francisco, California.

Harold R. Hersperger, C. P. A., and J. A. Jones, C. P. A., announce the opening of an office for the practice of accountancy under the name of Hersperger & Jones, Certified Public Accountants, 628 Park Building, Pittsburgh, Pa.

Arthur J. Goldberg, C. P. A., announces the opening of an office in the Majestic Building, Chicago, Illinois, for the practice of public accounting under the firm name of The Beryl Audit Co.

Jorgenson & Luckham, Certified Public Accountants, announce the admission to partnership of Harold A. Bunn, C. P. A. The practice of public accounting will be continued under the firm name of Jorgenson, Luckham & Bunn, Certified Public Accountants, 41 Sutter Street, San

Francisco, California and 357 South Hill Street, Los Angeles, California.

Hein & Greene of Binghamton, N. Y., announce the opening of a branch office in Orlando, Florida, to be located in the Cheney Building. Mr. B. C. Wolcott from the Binghamton office of the firm will be the Resident Manager of the Orlando office.

Jacob Behrens, C. P. A., 42 Broadway, New York City, announces his association with Daniel Nachbar in the opening of a branch office in Miami, Florida, under the firm name of Nachbar, Behrens & Co., Accountants and Auditors, 204 Ritz Hotel, Miami, Florida, and 1111 Fifth St., Miami Beach, Florida.

E. G. Shorrock & Co., Certified Public Accountants, 625 Central Building, Seattle, Washington, announce that Mr. E. J. Miner ceased to be a member of the firm on October 12, 1925.

E. J. Miner, C. P. A., announces the opening of offices for the practice of accounting under the firm name E. J. Miner & Co., Certified Public Accountants, at 658-659 Central Building, Seattle, Wash.

R. S. Osborne, C. P. A., announces that he has withdrawn from the firm of Ewing, Osborne and Martin, Kansas City, Mo., and has joined the staff of Arthur Andersen & Co., Chicago, Ill.

H. A. Grube, C. P. A., is now located at 1440 Broadway, New York City.

William A. Helm, C. P. A. announces the dissolution of the firm of Fox & Helm and the continuance of the practice of public accountancy in 402 National Bank of Commerce Building, St. Louis, Mo.

Arthur Reed Hoover, C. P. A., announces the opening of offices for the general practice of account-

ing under the firm name A. R. Hoover & Co., Certified Public Accountants, 117 East Yakima Avenue, Yakima, Washington.

Adolph F. Schumacher, C. P. A., is now located in the First National Bank Building, Paterson, New Jersey.

Edward B. Jordan, C. P. A., announces the opening of offices at 110 Sutter Street, San Francisco, California and 1924 Broadway, Oakland, California.

Victor T. Reed, C. P. A., an-

nounces the opening of offices in the May Building, Pittsburgh, Pa., under the firm name Reed & Company, Certified Public Accountants.

Owen Stanley Thompson, C. P. A., announces the removal of his office to 101 Park Avenue, New York City, where he will be associated with Willis S. Whittlesey, C. P. A., effective September 25, 1925.

A. T. Hull, C. P. A., announces the opening of offices at Glade Spring, Virginia, for the practice of public accounting.

STATE BOARD NEWS

Massachusetts

At a recent meeting of the Massachusetts Board of Registration of Certified Public Accountants George L. Bishop, C. P. A., 68 Devonshire Street, Boston, was elected Chairman and James J. Fox, C. P. A., Little Building, Boston, was elected Secretary. Other members of the Board are: Edwin L. Pride, C. P. A., 40 Central Street, Boston; Daniel B. Lewis, C. P. A., Park Square Bldg., Boston, and P. F. Crowley, C. P. A., 14 Central Ave., Lynn, Mass.

In compliance with the request of the Committee on Administration and Finance the Massachusetts Board has postponed the holding of its regular December examination until May or June, 1926.

Pennsylvania

The Pennsylvania State Board for the Examination of Public Accountants held the 1925 examination on November 2, 4 and 5.

Tennessee

The Tennessee State Board of Accountancy has announced that an examination would be given on November 17, 18 and 19, 1925, in Memphis, Tennessee.

The Board announces that out

of seven candidates for the C. P. A. certificate at the examination given on July 28, 29 and 30, 1925, in Chattanooga, the following three were successful:

Fred M. Williams, Box 396, Station A., Chattanooga, Tennessee.

Huet L. Johnson, care of Lee H. Battle Audit Co., First National Bank Building, Chattanooga, Tennessee.

William L. Schwartz, 930 Volunteer Building, Chattanooga, Tennessee.

WANT ADS

PITTSBURGH AND VICINITY. Large firm operating Pittsburgh branch wants to procure association with one or more reputable accountants possessed of small practices who are operating independently. Advantage to individual would be elimination of present office cost while retaining gross income. Advantage to firm would be in increased volume of reports issued under its name. Box 124, The Certified Public Accountant.

C. P. A. (Ill.), with offices in Chicago, will purchase accounting practice or clientele in or near Chicago, and would like to hear from practicing accountants who would consider merger proposition. Box 125, The Certified Public Accountant,

INDEX TO VOLUME V

JULY, 1925-DECEMBER, 1925

American Society of Certified Public Accountants:

	Page
Annual Meeting, 1925:	
"Address of Welcome" by Hon. E. Lee Trinkle.....	109
Address "Cost Accounting Movement in Chamber of Commerce and Trade Association" by T. W. Howard..	126
Address, "Some Accomplishments of the Federal Reserve System," by Charles A. Peple, C. P. A.....	166
Convention Committee named	3
Discussion, "The American Society and the American Institute"	157
Golf	4, 56
Program	51, 57
Picture	133
Report on Convention.....	89
Report of Committee on Code of Ethics.....	175
Report of Editorial Committee	129
Report of Committee on Professional Education	138
Report of President	93
Report of Secretary	97
Richmond, the Convention City	33, 60
Winner Durand W. Springer Golf Cup	111
Winner Virginia Society Trapshooters Cup	112
Elections:	
Democratic	3
Officers elected	115
State Representatives	80
Financial Report of.....	142
Membership increase, fiscal year 1925	85
Membership by states, 1924-1925	98
Table of Growth.....	4
Announcements 5, 36, 81, 108, 146, 177	

Articles, Special:

"Accountant-Lawyer—The Lawyer-Accountant, The," by Adrian F. Sanderbeck....	124
"Accounting Principles Underlying Accounts Receivable, Sold or Assigned to Finance Companies," by Simon Tipperman	55
"Advertising Agency's Accounting," by C. B. E. Rosen...	9
"Aspects of the Services Rendered by Professional Cost Accountants and Engineers, Some," by Robert Atkins..	63
"Combined Practice of Accounting and Law," by B. L. Klooster, C. P. A.....	154
"Cost Accounting Movement in Chamber of Commerce and Trade Association, The," by T. W. Howard.....	126
"Employee Good-Will in the Balance Sheet" (Policyholders' Service Bureau, Metropolitan Life Ins. Co.).....	52
"Lawyer-Accountant and the Accountant-Lawyer, The," by S. Leo Ruslander.....	61
"Liability of Accounts Stated," by F. B. Perrigo.....	45
"Minor Suggestions as to Audit Working Papers, Some," by F. L. Wood.....	105
"New Experiment, A," by D. W. Springer	32

Articles, Special—Continued.

"Practice Before U. S. Board of Tax Appeals," by Charles D. Hamel.....	120
"Profession of an Accountant, The" (reprint), by Albert Crew	10
"Public Accountancy An Ancient Profession," by Herbert A. Wheeler	76
"Recent Legislation on Income Taxes in Wisconsin," by C. F. Sammond	101
"Some Accomplishments of the Federal Reserve System," by Charles A. Peple, C.P.A.	166

Boards of Accountancy, State:

Colorado—Certificates issued...	54
Kentucky—Certificates issued...	6
Louisiana—Members	113
Indiana—Certificates issued...	54, 117
Massachusetts—Officers	178
Michigan—Examination, June, 1925	6
Members	114
New Hampshire—Certificates ..	117
New Jersey—In re secretary...	114
North Carolina—Members.....	6
Pennsylvania—Members	114
Examination	178
Tennessee—Examination, certificates issued	178
Virginia—Examination, October, 1925	114
Washington—Examination, May, 1925	6
Members	6
West Virginia—Certificates issued	6
Wisconsin—Certificates issued..	54
Members	114

Book Reviews:

"Practice Before the U. S. Board of Tax Appeals," by Charles D. Hamel	141
---	-----

Certified Public Accountants:

Certificate and residence.....	17
Number in the United States...	85
Relative number in New York and west	117
Reports accepted by Michigan Banking Department	4
Table showing certificate under which C. P. A's Practice..	164

Chamber of Commerce, U. S. A.:

"Cost-Accounting Movement in Chamber of Commerce and Trade Association, The," by T. W. Howard.....	126
"Impression of the Annual Meeting," by Thos. L. Berry...	7
U. S. Chamber of Commerce and Taxation	46

Cost Accounting:

"Aspects Rendered by Professional Cost Accountants and Engineers, Some," by Robert Atkins	63
"Cost Accounting Movement in Chamber of Commerce and Trade Association, The," by T. W. Howard.....	126

Directors, Board of:

Directors listed	88
Meeting, June 23, 1925.....	4
Meeting, September 9, 1925....	88
Meeting, September 12, 1925...	88
Meeting, October 2, 1925.....	119

Editorials:

"Aliens," by Frank Wilbur Main	3
"Caveat Emptor," by Frank Wilbur Main	30

Editorials—Continued.

"Class Legislation Fails in Minnesota"	59
"Complexity of Theories and Simplicity of Practice," by Frank Wilbur Main.....	89
"Dividends," by Frank Wilbur Main	30
"How Far Should We Go With Publicity?" by Frank Wilbur Main	88
"If I Only Had Time," by Frank Wilbur Main.....	119
"Institute's Own Standards," by Frank Wilbur Main.....	150
"Intermittent Employment of Juniors," by Frank Wilbur Main	118
"Liability of Auditors," by Alexander S. Banks.....	31
"New York Supreme Court Decision" (Craig vs. Anyon) ..	59
"North Carolina Decision, The," by Frank Wilbur Main.....	2
"Our Relations to the Public Accountant," by Frank Wilbur Main	151
"Personality," by Frank Wilbur Main	2
"Property vs. Human Rights," by Frank Wilbur Main.....	58
"To Services Rendered," by Frank Wilbur Main.....	118

Ethics:

Societies and trade associations having codes of	117
Report on Code of	175

Examination Questions, C. P. A.:

Kentucky, May, 1925.....	103
Maryland, November, 1924....	134
Michigan, December, 1924.....	18
North Carolina, June, 1925....	37
Oklahoma, October, 1925.....	170
Virginia, October, 1924.....	65

Foreign Certificates:

Indiana, Number furnished by...	117
New Hampshire, Number furnished by	117
New York, Number furnished by	117
Number in	117

Laws:

C. P. A. laws.....	85
"Class Legislation Fails in Minnesota"	59
Georgia bill fails.....	59
Illinois, New Accountancy Law (text)	47
"Illinois Law, The," by D. W. Springer	32
New York Supreme Court Decision (Craig vs. Anyon)...	70
Michigan—In re Banking Department	4
New accountancy law (text)...	41
Regulatory laws in six states..	85
Wisconsin, Recent Legislation on Income Taxes in.....	101

Membership Lists	27, 56, 84, 116, 148
------------------------	----------------------

In Memoriam:

Robert Burns Benedict.....	53
Edward W. Hooke.....	114
Edw. L. Parker.....	137
Miss Amy Piser.....	3
Wilson Leslie Pitcaithly, Sr....	83
A. A. V. Thomson.....	83
Samuel Henry Wenck.....	137

Personals.....	28, 53, 55, 115, 119
----------------	----------------------

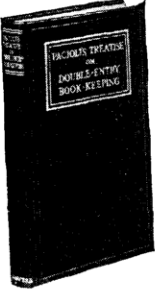
President's Message:

Harry E. Lunsford.....	86
Edwin L. Pride.....	29

Registration Certificates:	
Louisiana	117
Maryland	117
Reports:	
Committee on Professional Education, John T. Madden....	138
Editorial Committee, Frank Wilbur Main	129
Financial Report of Society....	142
President's	93
Secretary's	97
Solutions to Problems:	
Maryland Problem	162
North Carolina problem.....	49
Virginia problem	77
State Societies:	
Alabama—Annual meeting, September 8, 1925.....	115
Colorado—Annual meeting, September 30, 1925.....	145
Committees	145
Officers	145

State Societies—Continued.		Page
Connecticut—Meeting, December 4, 1925, announced.....	115	115
Meeting, Special, September 4, 1925, announced ..	115, 153	
Members admitted	53, 145	
District of Columbia—Annual meeting, June 23, 1925...	23	
Lectures on Practice Before U. S. Board of Tax Appeals	82	
Officers	53	
Georgia—Meeting, May 2, 1925.	23	
Meetings	110, 152	
Savannah Chapter organized..	82	
Iowa—Annual Meeting	152	
Kansas—Annual meeting	24	
Officers	24	
Kentucky—Annual meeting, August 7, 1925.....	82	
Officers	82	
Louisiana—Annual meeting, August 13, 1925.....	82, 110	
Committees	110	
Officers	110	
Maine—Annual meeting, June 6, 1925	24	
Meeting, September 23, 1925.	110	
Meeting, October 15, 1925...	145	
Maryland — Annual meeting, June 9, 1925.....	24	
Officers	24	
Pamphlet to "Bankers and Business Public," July 1, 1925	145	
Massachusetts—Annual meeting, May 25, 1925.....	24	
Meeting, September 28, 1925.	110	
Officers	24	
Outing, June 29, 1925.....	29	
Michigan—Annual meeting, October 1, 1925.....	145	
Officers	145	
Twenty-fifth anniversary of law	25	
Mississippi—Annual meeting ..	152	
Missouri—Annual meeting	25	
Officers	25	
Kansas City Chapter—Annual meeting, officers	25	
meeting	152	
St. Louis Chapter—Annual meeting, officers	25	
New Jersey—Meeting, October 6, 1925	145	
Special meeting, June 16, 1925	25	
New York—All day conference, October 14, 1925.....	147	
Extract from Chairman Kerner's address before.....	117	
Membership, May, 1925.....	85	
North Carolina—Annual Spring Convention, May 15, 1925.	25	
Annual meeting, November 9, 1925	115, 152	
Oregon—Annual meeting, June 8, 1925	26	
Officers	26	
Pennsylvania—Quizz Class	53	
Meeting	152	
Pittsburgh Chapter — Annual meeting, May 25, 1925....	26	
Officers	26	
Rhode Island—Meeting	153	
South Carolina—Annual meeting—October 20, 21..	110, 153	
Texas—Annual meeting	153	
Tri-Society (Washington, Oregon, British Columbia)...	26	
Virginia—Annual meeting, September 5, 1925—Officers ..	115	
Semi-annual meeting	26	
Washington — Annual meeting, August 29, 1925.....	111	
Spokane Chapter, officers....	146	
Wyoming—Annual meeting , , ,	153	

State Societies—Continued.		Page
West Virginia—Annual meeting, August 20, 1925.....	82	
Officers	82	
Wisconsin — Annual meeting, September 21, 1925.....	146	
Wyoming—Annual meeting announced	146	
Tax Appeals, Board of:		
Lectures on Practice before....	82	
Number of Cases handled by...	117	
Offices moved	4	
"Practice Before the U. S. Board of Tax Appeals," by Charles D. Hamel	120	
Visitors.....	6, 54, 84, 118, 144	
What Our Readers Say:		
In re Bank Statements, Samuel Newberger	80	
In re Chartered Accountants, J. S. M. Goodloe.....	6	



**PACIOLI'S
TREATISE
ON
Double-Entry
Book-Keeping**

Just Translated!

**From the Original Italian of
A. D. 1494**

Here is the **FIRST KNOWN WRITTEN** study of accounting. A unique, fascinating, historical document, tracing the early origins of the Accounting Profession and outlining the beginning of the methods still employed. Every serious student of accounting will want this distinguished source-book of practical and theoretical knowledge.

Send your order **TODAY** as this importation from the English edition prepared by the Institute of Book-keepers, Ltd., is strictly limited.

124 Pages Price \$2.50

Send us the coupon below and you will receive the book for ten days' free examination.

FREE EXAMINATION COUPON

Harper & Brothers,
49 East 33rd Street, New York

Gentlemen: Please send me postpaid for free examination one copy of

**PACIOLI'S TREATISE ON
DOUBLE-ENTRY BOOK-KEEPING**

☐ I agree to remit \$2.50 within ten days of receipt of the book or to return the book.

☐ I enclose my check for \$2.50.

Name

Address

Business Connection

C. P. A. 12.25

C. P. A. LAW QUESTIONS

contained in the Examinations set by the Board of Examiners of the American Institute of Accountants from June 1917 to May 1924—


with **ANSWERS**

By
John Laurence Hurley, A. B., LL. B.

194 Questions and Answers

Book Well Bound

Price \$2 delivered



The Bentley Publishing Co.
921 Boylston Street Boston, Mass.

A Spare-Time Law Course for Accountants



MODERN accounting practice, owing to the ever increasing demands of clients, has developed to the point where a knowledge of law and equity has become of paramount importance.

In addition, the rules of the U. S. Board of Tax Appeals have made it incumbent upon practitioners before the Board to present their cases as they would have to be presented before an ordinary court of law.

Hence it appears that the accountant, unless he wants to employ qualified legal assistance, must equip himself with a knowledge of legal practice and procedure and the law of evidence if he is to handle properly the work he is given to do.

A Recognized Law Course

But where is the active and established practitioner to get the additional knowledge of law that has suddenly become so necessary? The answer is found in the Blackstone Legal Training Course and Service which can be followed in spare hours at the home or office.

Heading the list of contributors to the course are Chief Justice William Howard Taft and Associate Justice George Sutherland of the United States Supreme Court, ably seconded by a group of 60 resident law deans, professors, lawyers and state supreme court judges of almost equal prominence.

More than 50,000 progressive men and women have enrolled for this training, many of whom have risen high in the business world and in political, legal and judicial life. Graduates are practicing law in every state.

Authoritative Training

The Institute offers two splendid law courses. One deals with commercial law exclusively while the other (the Graduate Course) in addition to the usual business law subjects, also covers the field of Adjective Law. This course has helped thousands to prepare for the bar examinations. Graduates are awarded the LL. B. Degree.

Among the subjects covered in the Graduate Course are Evidence, Pleading in Civil Actions, Practice in Civil Actions, Equity Pleading and Practice, Interpretation of Statutes, Courts—Organization, kinds and classification, Bankruptcy, State and Municipal Taxation, Wills, Estates, Real Property, Trusts, Landlord and Tenant, Corporations, Partnerships, and 45 other subjects.

Complete Law Library Furnished

Delivered complete at the time of enrollment is a big, handsome, 25-volume library, **Modern American Law**, cited as "M. A. L." by state supreme courts and by the United States District Court. "M. A. L." is the only non-resident text ever given this honor or recognition.

Approved By Accountants

The Blackstone Legal Training Course and Service has always appealed to accountants. Since the creation of the Board of Tax Appeals, however, they have been turning to the Institute in constantly increasing numbers, and it is to be noted that the majority of them are established practitioners who already possess the C. P. A. certificate.

Typical of the comments of accountants who have availed themselves of Blackstone material and service is the following from Mr. Robert B. Vollum, C. P. A., of Philadelphia, who says:

"After thirty years practicing the profession in this city, I feel that each day it becomes more vital that the public accountant should ground himself in the basic principles of law if he hopes to successfully meet the demands of the profession and properly serve his clients. It is for that reason that I have added your set of **Modern American Law** (Cited M. A. L.) to my library."

Write For Details

The complete story of Blackstone training is given in an attractive 128-page book, **The Law-Trained Man**. A copy will be sent free upon request. Use the coupon below or address a post card request to Dept. 369, Blackstone Institute, Inc., 4753 Grand Boulevard, Chicago, Ill.

Blackstone Institute, Inc.

Dept. 369, 4753 Grand Blvd., Chicago, Ill.

Please send me by mail and without obligation a copy of your 128-page book, **The Law Trained-Man**, and details of your law course.

Name

Position

Business Address

City..... State.....